

*\* Old North Rain Garden  
Old North St. Louis*



THE METROPOLITAN ST. LOUIS SEWER DISTRICT



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FISCAL YEAR ENDING JUNE 30 2014

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***THE METROPOLITAN ST. LOUIS  
SEWER DISTRICT  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
JUNE 30, 2014 AND 2013***

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Report prepared and submitted by the  
Department of Finance

Janice M. Zimmerman  
Director of Finance/CFO

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## Introductory Section

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### **Vision Statement**

Quality Service Always

### **Mission Statement**

To protect the public's health, safety, and water environment by responsibly providing wastewater and stormwater management

### **Values**

Integrity

Teamwork

Excellence and Innovation

The District Employees

Customer Satisfaction

*Mission, Vision, Value statements are important elements of a strategic business plan. The Mission statement keeps the District focused on its essential activity, the Vision statement points to its ideal purpose, and the Value statement conveys the principles that must shape our actions.*





## **Metropolitan St. Louis Sewer District**

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2350 Market Street  
St. Louis, MO 63103-2555  
Phone: 314.768.6200  
[www.stlmsd.com](http://www.stlmsd.com)

October 23, 2014

The Board of Trustees  
The Metropolitan St. Louis Sewer District

The Comprehensive Annual Financial Report (CAFR) of The Metropolitan St. Louis Sewer District (MSD or the District) for the fiscal year ended June 30, 2014, is submitted herewith. The District's Finance Department prepared this report. The District is responsible for the accuracy of the data and the completeness and fairness of the presentation of the financial statements and other information presented herein. We believe the presentation is accurate in all material respects and includes all disclosures necessary to enable the reader to gain a reasonable understanding of the District's financial activities. In the CAFR, the District's financial activities are measured on a single enterprise fund basis where all funds of the District and its sub-districts are consolidated.

The District's CAFR includes an Introductory Section, a Financial Section, and a Statistical Section. The Introductory Section includes this transmittal letter, lists of the District's Board of Trustees, members of the Civil Service Commission, management staff, and an organization chart as of June 30, 2014. The Financial Section includes the independent auditors' report, management's discussion and analysis, and the District's basic financial statements. The Statistical Section includes financial, economic, and demographic information, generally presented on a multi-year basis.

The CAFR includes all funds of the District. The operations of these funds, as reflected in the financial statements, are under the control of the District's governing body. The District has determined there were no other agencies or entities that met the established criteria for inclusion in the reporting entity.

## **Organization**

MSD was created in 1954 to provide a metropolitan-wide sewer system to serve the City of St. Louis and most of the more heavily populated areas of St. Louis County. Before MSD's creation, the City of St. Louis, various municipalities, and private sewer companies provided sewer service that primarily included only collecting and transporting sewage from small geographic areas to nearby rivers and streams with little or no treatment. Most of the municipalities or private sewer companies serving the area did not have the jurisdictional authority or financial resources needed to eliminate health hazards from untreated sewage.

When the District began operations, it took over the publicly owned wastewater and stormwater drainage facilities within its jurisdiction and began the construction of an extensive system of collector and interceptor sewers and treatment facilities. In 1977, voters approved the District's annexation of a 270 square mile area of the lower Missouri River and lower Meramec River watersheds. The District purchased the Fee Fee Trunk Sewer Company and the Missouri Bottoms Sewer Company in 1978. MSD has since acquired other investor-owned or municipally operated systems.

The District's service area now encompasses 525 square miles including all 62 square miles of the City of St. Louis and 462 square miles of St. Louis County. The current population served by the District is approximately 1.3 million.

MSD is organized pursuant to Article VI, Section 30 of the Missouri State Constitution that empowers the people of St. Louis County and the City of St. Louis "to establish a metropolitan district for functional administration of services common to the area." MSD is the only district established pursuant to that section of the Missouri State Constitution.

The Charter of MSD (the Plan), approved by voters in 1954 and amended in 2000 and 2012, established the District. The Plan describes the District as "a body corporate, a municipal corporation, and a political subdivision of the state." As a political subdivision of the state, MSD is comparable to a county or city, such as St. Louis County or the City of St. Louis.

The Plan established the governing body of the District as a six-member Board of Trustees (the Board) with three members appointed by the Mayor of St. Louis and three members appointed by the St. Louis County Executive. No more than two trustees from each area can be of the same political affiliation.

Unlike a corporation's board of directors that is responsible solely to the stockholders who choose to invest in the corporation, MSD's Board members are trustees of public property and public funds. They are responsible to all citizens within the District.

According to the Plan, the Board enacts District ordinances, determines policies, and appoints the Executive Director, the Secretary-Treasurer, and the Internal Auditor. The Executive Director appoints all other District officials. Among its duties, the Board makes all appropriations, approves contracts for improvements, and engages an accounting firm to perform the annual independent audit of the District.

The Plan prescribes other duties of the Board and grants numerous broad powers, subject to federal and state laws, to the District and the Board of Trustees. Among other things, the Plan outlines the following requirements or provisions:

- Requires that MSD operate with a balanced budget;
- Details how MSD can tax property and requires an annual public hearing on all taxes levied by the District;
- Details how MSD can establish user charges;
- Requires MSD to establish civil service rules and regulations governed by a Civil Service Commission;
- Provides how the original boundaries of the District may be extended to include any area in St. Louis County; and
- Requires MSD to approve all plans and designs for proposed construction, alteration, or reconstruction of sewer or drainage facilities within the District's boundaries.

The District is also governed by the Missouri State Constitution and various federal and state laws that among other requirements mandate the following:

- MSD must hold permits for all sanitary discharges. These permits require a minimum of secondary treatment.
- MSD must provide wastewater treatment in an area-wide manner to qualify for federal and state grants.
- MSD must operate, maintain, and replace facilities to provide proper wastewater treatment or be subject to penalties and fines.
- MSD must set user charge rates in compliance with the Federal Clean Water Act. These rates must be approved by the Missouri Department of Natural Resources to receive future construction grants and to avoid the possibility of refunding past grants.

During fiscal 2014 the primary source of funding for the operation and maintenance of MSD's wastewater system was a user charge averaging \$418.20 per year or \$34.85 per month for a single-family residence. The District's charges for residential wastewater service are tied to the amount of measured water usage during a winter quarter. For residential properties without water meters, the charges are based on housing attributes (such as the number of rooms, baths, and toilets) that correlate to water usage. That methodology is the same billing methodology used by the City of St. Louis Water Division for their non-metered properties. Multi-family residential and non-residential rates are proportionate to the single-family charge and are based on water consumption and the strength of the discharge.

In Fiscal Year 2014, the operation and maintenance of the District's stormwater system was funding by a combination of property taxes and flat fee billing of 24¢ for residential and commercial properties and 18¢ cents per unit for multi-unit properties.

MSD also receives some federal, state, and local grants to help defray the cost of constructing sewage treatment and drainage facilities and improvements. The District also charges fees for plan review, permits, construction inspection of new system development, and special discharges. The District charges a uniform connection fee in all service areas.

The District, itself, may issue general obligation bonds and revenue bonds to finance the cost of improvements and extensions to the sewer system. The District also may issue, on behalf of each of its sub-districts, general obligation bonds, revenue bonds, or special assessment bonds.

### **Major Initiatives Affecting The Financial Resources Of The District**

In June 2007 the District was sued by the Department of Justice on behalf of the United States Environmental Protection Agency ("EPA") and the Missouri Department of Natural Resources ("MDNR") for various alleged violations of the Clean Water Act. The Missouri Coalition for the Environment joined the suit as an intervener in August 2007. After a lengthy mediation, a Consent Decree ("CD") was entered by the Federal Court on April 27, 2012. This entry resolved all alleged violations. Compliance with the CD requires the District to implement a multi-decade, multi-billion dollar capital improvement program and rehabilitate significant portions of the existing wastewater sewer system. This effort will continue to be funded by a combination of rate increases and issuance of additional debt based on the completion of milestones defined in the CD.



Integral to helping MSD's rate payers understand the Consent decree is MSD's initiation of Project Clear. The goal of Project Clear is to help MSD's rate payers have a clear understanding of MSD's goals and objectives. Project Clear consists of three main components:

- Getting The Rain Out which is focused on reducing the sewer system infrastructure to help reduce basement back-ups and overflows;
- Performing Repair and Maintenance to the existing infrastructure to ensure it operates as well as possible for as long as possible, and
- Building System Improvements where needed to increase the capacity of the system.

Unlike previous MSD programs, Project Clear will greatly affect the daily lives of many of our rate payers. Project Clear is needed to help the rate payer understand the individual and regional, as well as the immediate and long term, benefits of the program.

The District's Board of Trustees implemented an impervious based stormwater rate on March 1, 2008, replacing its prior funding mechanism of property taxes and user fees. On July 9, 2010, a circuit court of St. Louis County found this impervious rate to be unconstitutional under Missouri law. In response to this ruling, the Board suspended the impervious based stormwater rate and reinstituted the District's stormwater property taxes and user fees, previously rolled back on a voluntary basis, as part of the stormwater rate plan. The District lost both its subsequent appeals to the Appellate and Missouri Supreme Court negating the culmination of a 20-year effort to adequately fund much needed stormwater services for District ratepayers. The impact of this court decision has resulted in a dramatic reduction in stormwater services being provided across the District with many customers receiving little or no stormwater services until an alternative funding source is identified. The District plans to submit a rate change proposal to the MSD Rate Commission in early 2015. This proposal is expected to recommend an increase in MSD's wastewater rates in order adequately fund the work required by the Consent Decree. The proposal will also recommend the establishment of a new stormwater funding structure sufficient to provide adequate services across the entire MSD service area. The new stormwater funding structure relates to the below discussion regarding the impervious stormwater rate court case.

The Rate Commission was established in the District's Plan by amendment in 2000. Beginning in 2002, the District began submitting rate increase proposals to the MSD Rate Commission to fund its operations and multi-decade capital infrastructure improvement program. The District submits rate increase proposals to the Rate Commission as needed in accordance with the Plan. As stated above, the District plans to submit a rate change proposal to the MSD Rate Commission in early 2015.

Since February 2004, the voters of St. Louis have authorized the District to issue a total of \$1.7 billion in wastewater revenue bonds. As of December 2013, the District has issued \$1.2 billion of the total authorization. The District's long-term wastewater capital improvement program will continue to be funded through a combination of additional bonds and wastewater rate increases.

The District is also upgrading its extensive billing and collection system to incorporate the latest utility technology. The new system will result in more efficient processes and the ability to continue to expand its customer outreach efforts. The new technology will provide state of the art capabilities to utilize the multiple ways now available to better communicate with its customers, understand their needs, and continue to align the District's responsiveness accordingly. Full implementation of the system is expected by the summer of 2015.

In 2013, MSD completed a Disparity Study to identify any disparities in the District's expenditure of public funds against the availability of minorities and women to complete the required work. All contractual requirements allowed by the study for future vendor purchases and diverse workforce were put into place by August 2013. The Disparity Study also made recommendations as to other activities that the District should consider as part of a successful Diversity Program. Many of these are being accomplished through a Community Benefits Agreement (CBA). This is an agreement between MSD and eight Signatory organizations that allows the Signatories to be involved in the implementation and long term monitoring of the Disparity Study in exchange for agreeing to not interfere in MSD's implementation of the Consent Decree. The Disparity Study and CBA, in combination, will assure that stakeholder's who help pay for the work required to meet the Consent Decree also get the opportunity to participate in its completion.

## **Operations**

The Executive Director and his staff administer the operation and maintenance of the District's collection and treatment systems. The District's sanitary, stormwater, and combined sewer collection system includes more than 9,563 miles of pipe and channel and will grow larger over the long term due to new development. Some years may actually see a reduction in total miles of pipe. This is due to the removal of inefficiently placed pipe with shorter, more direct lines of pipe. The District's responsibilities for stormwater drainage range from cleaning and maintaining street inlets to operating and maintaining the floodwall pump stations along the Mississippi River.

MSD currently operates 7 wastewater treatment facilities. These facilities treated an average flow of 273.8 million gallons per day (MGD) in fiscal 2014 compared to 326.7 MGD in fiscal 2013. The design capacity and average flow, by watershed, in MGD was as follows in fiscal 2014:

MAJOR WATERSHED	LEVEL OF TREATMENT	NUMBER OF FACILITIES	DESIGN CAPACITY	AVERAGE FLOW FISCAL 2014
Mississippi River	Secondary	Two	417	202.6
Missouri River	Secondary	Two	73	45.4
Meramec River	Secondary	Three	42.75	25.8
Total		Seven	532.75	273.8

In addition to construction initiated by the District to protect the public's health and property from raw sewage and flooding, the District also provides various engineering-related design review and inspection services for the construction of sanitary and stormwater sewers by individuals, businesses, and municipalities in the community.

### **Economic Conditions In The St. Louis Metropolitan Area**

As a rule, the District's major revenue sources do not fluctuate with the local and national economy as much as local governments that depend on sales or income taxes for their major sources of revenue. The combined unemployment rate for the City of St. Louis and St. Louis County was 7.5 percent in June 2014 and higher than the national unemployment rate of 6.3 percent for the same time period.

MSD has its own internal barometers for measuring economic development within the District. These are listed below for fiscal 2014 and 2013:

	<b>2014</b>	<b>2013</b>
<u>Sewer Plan Reviews:</u>		
Number of Plans Approved	487	447
Number of Miles of Sewers	36	22
<u>Sewer construction Permits:</u>		
Number of Permits Issued	3,472	2,020
Number of Miles of Sewers	29	19
<u>Customer Connections:</u>		
Number of Connection Permits Issued	1,764	1,345
Connection Fee Revenue (in millions)	\$1.5	\$1.1
<u>Value of Sewers Dedicated to MSD by Developers (in millions)</u>	\$6.9	\$17.5

Over the years, the St. Louis economy has undergone a transformation from reliance on traditional manufacturing industries to those industries based on advanced technology and services. The St. Louis area is a center for health care, biotechnology, banking, finance, transportation, tourism, and education and has a strong and diverse manufacturing economy. The area has an abundance of energy, water, and sewerage facilities and can sustain future economic growth.

### **Financial Information**

**Proprietary Operations.** The current financial condition of MSD remains stable. The District realized a net operating income of \$24.5 million compared to a net operating income of \$11.8 million the prior year. The increase is explained by an increase in sewer service revenue as a result of rate increases. In addition, the provision for doubtful sewer service charges saw a reduction due to the District's use of new analytical tools leading the District to change its methodology in determining doubtful accounts. A more in depth analysis of the District's financial position and the magnitude of the capital improvement and replacement program (CIRP) is provided in the Management Discussion and Analysis section that appears later in this report.

**Budgetary Controls.** The District's Plan requires MSD to submit a proposed budget to the Board by March 15<sup>th</sup> each year. After Board review, a final budget is approved in June. The District's Plan also requires MSD to maintain budgetary controls and to adopt a balanced budget. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the appropriation process approved by the Board. The annual appropriated budget includes activities of the District's operating and Debt Service Funds. The Board adopts ordinances to appropriate funds for capital improvement expenditures at the time of the contract award and acceptance of any grant offers.

Budgetary control is by Division and major expenditure category within the General Fund, each Debt Service Fund, and each capital improvement contract. The District utilizes an encumbrance accounting system in conjunction with internal variance and projection analysis to maintain budgetary control. Certain encumbrances carry over from one year to the next as approved by the Board during the budget process.

Monthly and year-end financial reports are prepared in accordance with U.S. generally accepted accounting principles for Enterprise Funds. Adjustments are made to the accounting records, where necessary, to reflect the full accrual method of accounting. Under the full accrual method of accounting, revenues are recognized when earned and expenses are recorded as liabilities when incurred. Encumbrances and unearned capital and operating grants are eliminated under the full accrual method of accounting. These amounts are disclosed as commitments in the footnotes to the financial statements.

Cash Management. In compliance with its Plan, the District invests temporarily idle funds in cash, cash equivalents and investments such as collateralized certificates of deposit, collateralized repurchase agreements, and United States Treasury instruments. The District utilizes competitive bidding for investment purchases and monitors market conditions daily. MSD receives interest on certificates of deposit monthly and reinvests it to maximize yields. Investment maturities are limited to a maximum five years per ordinance.

Risk Management. In-house staff and consultants jointly conduct risk management activities. MSD maintains third-party commercial insurance coverage for various risks while self-insuring for other risks and liabilities at levels customary for similar enterprises. The District maintains replacement cost property and casualty insurance with a policy limit of \$1.25 billion on certain facilities and equipment that have an estimated replacement cost of \$1.5 billion. The District assumes the risk of loss (including payment of water backup claims to its customers) on the majority of its underground pumping facilities and collection system. MSD is one of a few sewer districts in the country known to provide water backup claim coverage to its customers. The underground pumping facility and collection system assets have an estimated replacement cost of \$9.9 billion. To minimize exposure to loss, the District inspects its facilities regularly, performs preventative maintenance to it, and maintains excess liability coverage.

MSD maintains automobile and general liability insurance. The District is self-insured for workers' compensation and funds those costs through annual appropriations from the District's general fund. The District maintains reinsurance for workers' compensation liabilities in excess of specified limits up to the statutory limit. Risk control activities include using a third-party claims administrator, maintaining a computerized claim tracking system, and annually reevaluating medical insurance claims and health benefit costs. The District also has programs designed to promote safety in the workplace and employee wellness.

The District provides group medical coverage for its employees and offers dependent medical coverage on a contributory basis through a self-insured plan. Effective February 1, 2014, the District maintained stop loss coverage for specific claims exceeding \$175,000 per year and for total annual claims greater than 125 percent of the annual claims estimate. The District provides its employees with contributory group dental insurance coverage and non-contributory life insurance and contributory optional life insurance coverage. The District also contributes \$100 every fiscal year up, to a maximum of \$300, to a vision care program for employees. Effective July 1, 2013, spouses were eligible to use the benefits; however, the amount could not exceed the maximum amount of \$300. The District reevaluates insurance coverage and providers annually.

For most construction projects, insurance is obtained by the individual contractor and included in the contract price.

**Internal Controls.** District Management is responsible for designing, establishing, and maintaining an internal control system that protects District assets from loss, theft, or misuse and ensures that adequate accounting data is compiled to prepare financial statements in conformity with United States generally accepted accounting principles. Internal control systems are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. The District's internal control system is subject to periodic evaluation by Management, the Board and the District's independent accountants.

### **Other Information**

**Audit Requirements.** The District's Plan requires an annual audit by independent certified public accountants. The District's CAFR includes a report on the District's financial statements by the accounting firm of RubinBrown LLP.

Besides meeting the requirements set forth in the Plan, the annual audit is also designed to meet the requirements of the 1996 amendments to the Federal Single Audit Act and the United States Office of Management and Budget (OMB) Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations.** A Single Audit Report was issued for the year ended June 30, 2014.

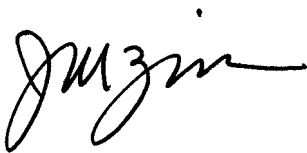
The financial statements of the Metropolitan St. Louis Sewer District's Employees' Pension Plan, Deferred Compensation Plan and Defined Contribution Plan are also audited annually. These audits were issued as of December 31, 2013 and are available to interested parties upon request.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MSD for its CAFR for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.



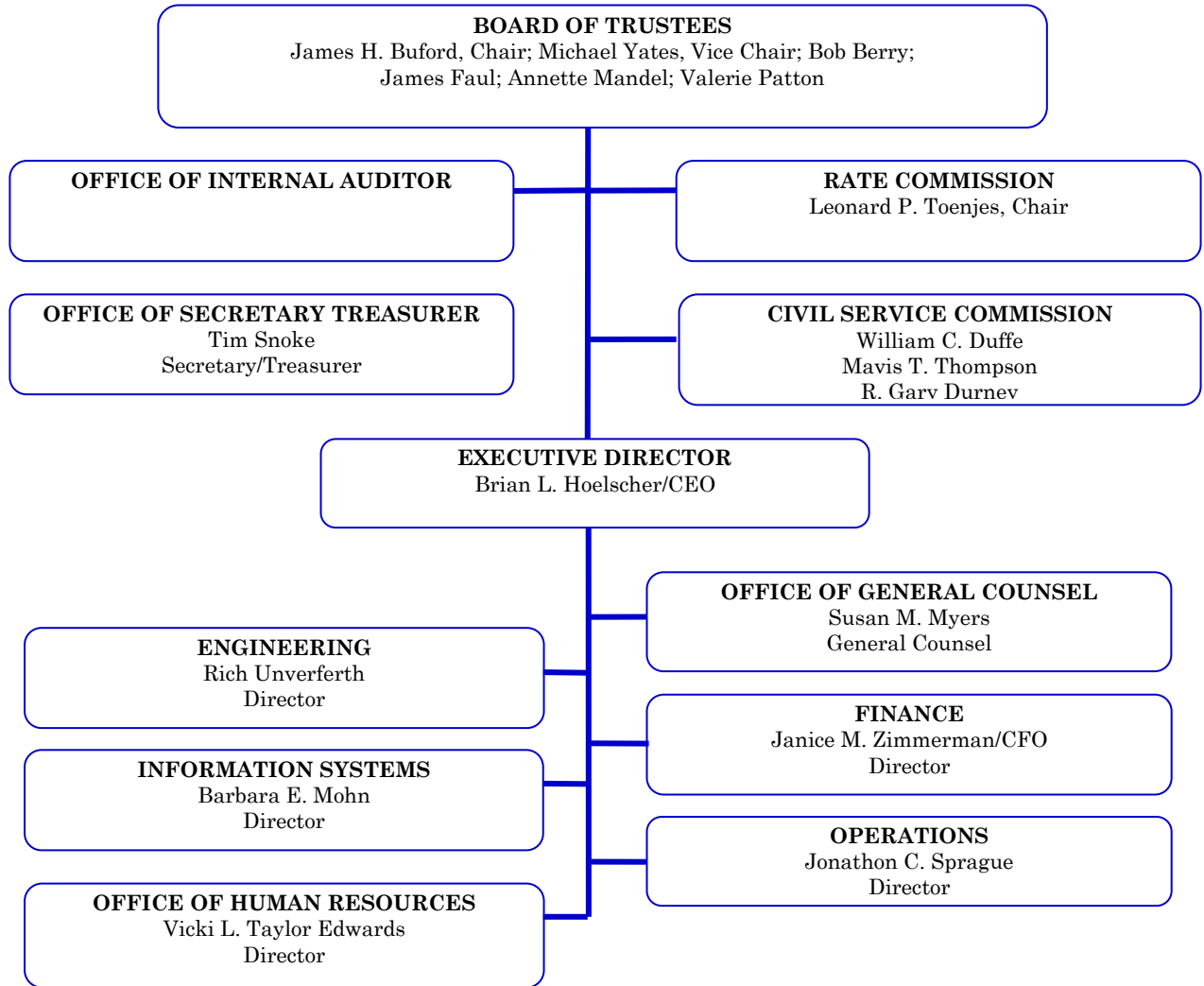
To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. The District has received a Certificate of Achievement for the last twenty-six consecutive years. We believe the current CAFR continues to conform to the GFOA's high standards, as reflected in the Certificate of Achievement program requirements, and are submitting it again this year for consideration.

The District also received the GFOA's Distinguished Budget Presentation award for its fiscal 2014 annual budget. The District has received this award for twenty-seven consecutive years. We believe the FY15 budget presentation continues to meet the GFOA's high standards and submitted it September 4, 2014, for consideration.

A handwritten signature in black ink, appearing to read 'JM Zimmerman', with a stylized flourish at the end.

Janice M. Zimmerman  
Director of Finance/CFO

**ORGANIZATION**  
(as of June 30, 2014)





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
In Financial  
Reporting**

Presented to

**Metropolitan St. Louis  
Sewer District, Missouri**

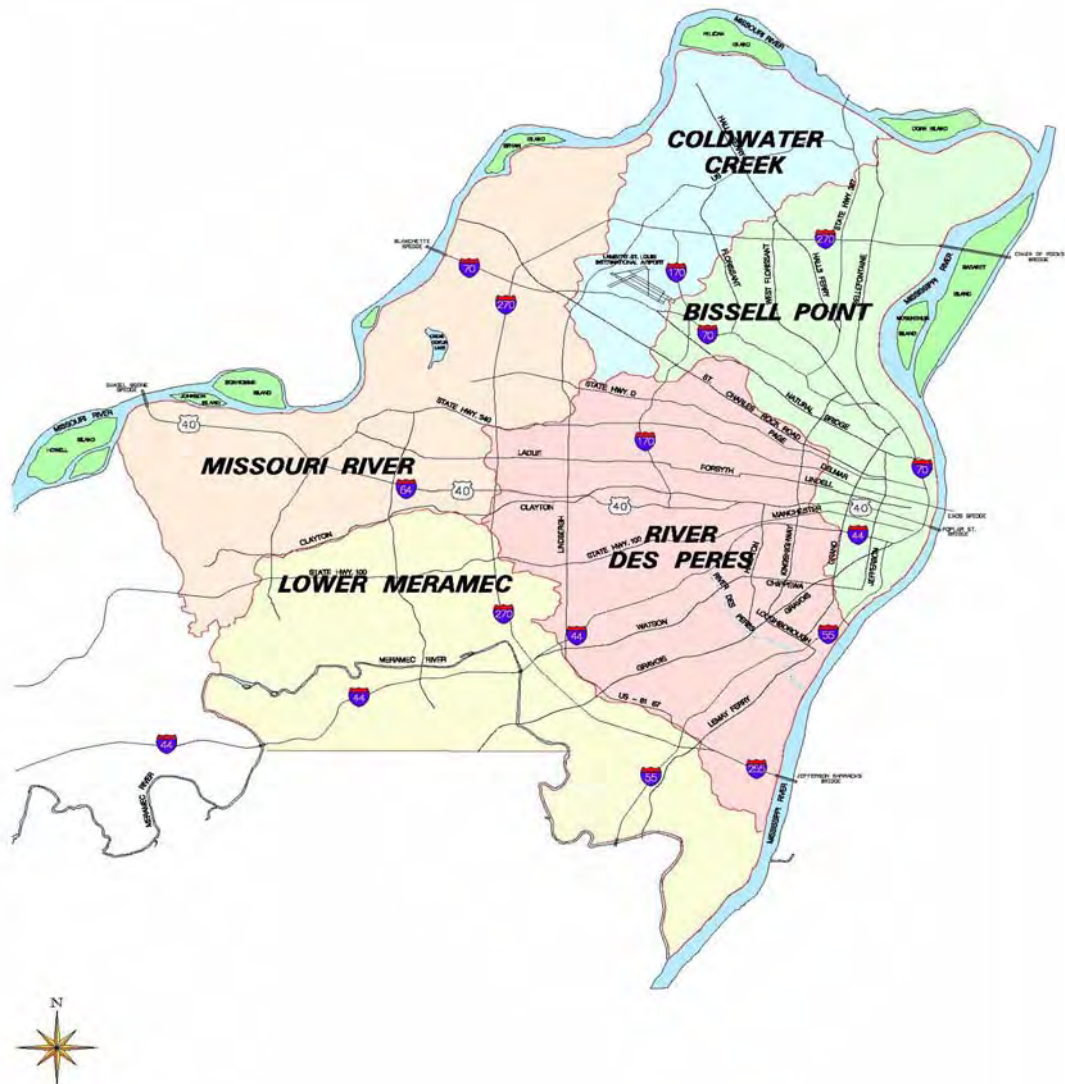
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**



Executive Directors/CEO

# METROPOLITAN ST. LOUIS SEWER DISTRICT SERVICE AREAS



## Independent Auditors' Report

Board of Trustees  
The Metropolitan St. Louis Sewer District  
St. Louis, Missouri

### Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities of The Metropolitan St. Louis Sewer District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress for the Employees' Pension Plans and Other Post-Employment Benefit Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*RubinBrown LLP*

October 17, 2014

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# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS For The Years Ended June 30, 2014 And 2013

The annual report of The Metropolitan St. Louis Sewer District (the "District") includes the independent auditors' report, management's discussion and analysis ("MD&A"), and the financial statements accompanied by notes essential to the user's understanding of the financial statements.

Management of the District has provided this MD&A to be used in combination with the District's financial statements. This narrative is intended to provide the reader with more insight into management's knowledge of the transactions, events, and conditions reflected in the accompanying financial statements and the fiscal policies that govern the District's operations.

### 2014 Financial Highlights

- The District increased current, restricted and other assets by \$101.2 million as a result of inflows from bond proceeds and increased receivables from slight increase in sewer rates.
- The District placed \$243.9 million of capital assets into service during fiscal year 2014. The continued high level of capitalization reflects the District's work to meet long-term plans per the EPA consent decree entered into August 14, 2011. Capitalized assets included:

Treatment and disposal plant and equipment	\$173.5 million
Collection and pumping plant	\$60.8 million
Land	\$5.5 million
General plant and equipment	\$4.1 million

In conjunction with the new assets, accumulated depreciation increased by \$59.8 million and construction in progress decreased \$60.6 million.

- The District issued one new senior bond for \$150 million.

### 2013 Financial Highlights

- The District increased current, restricted and other assets by \$195.4 million as the result of inflows from bond proceeds and increased revenue from slight increase in sewer rates and improved collection activities.
- The District placed \$200.6 million of capital assets into service during fiscal year 2013. The continued high level of capitalization reflects the District's work to meet long-term plans per the EPA consent decree entered into August 2011. Capitalized assets included:

Collection and pumping plant	\$178.4 million
Treatment and disposal plant and equipment	\$15.5 million
Land	\$4.0 million
General plant and equipment	\$2.7 million

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### **Management's Discussion And Analysis (*Continued*)**

In conjunction with the new assets, accumulated depreciation increased by \$66.5 million and construction in progress decreased \$18.6 million.

- The District issued one new senior bond for \$225 million and refunded an existing bond with favorable interest reduction.

### **Required Financial Statements**

The financial statements presented by the management of the District include the Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements are prepared using the accrual basis of accounting. This method of accounting recognizes revenue at the time it is earned and expenses when the related liability occurs. As a result of using this method of accounting, the District's performance over the time period being reported is more easily determinable.

The Statements of Net Position provide a report of the District's current, restricted, and other non-current assets such as cash, investments, receivables, and property. Also, the Statements of Net Position provide a summary of the District's current, restricted, and non-current liabilities, including contracts and accounts payable, deposits and accrued expenses, and bond and notes payable. Deferred outflows and inflows, where applicable, will also be included. The final section of the Statements of Net Position, the net position section, contains earnings retained for use by the District. Increases or decreases in the net position section may be indicative of an improving or declining financial position. This statement provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The Statements of Revenues, Expenses, and Changes in Net Position summarize all of the year's revenue and expense. These statements indicate how successful the District was at maintaining expenses below the level of revenue earned.

The Statements of Cash Flows account for the net change in cash and cash equivalents by summarizing cash receipts and cash disbursements resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. These statements assist the user in determining the sources of cash coming into the District, the items for which cash was expended, and the beginning and ending cash balance.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Management's Discussion And Analysis (Continued)

### Financial Analysis

The District's financial position improved in the current year, as evidenced by the increase in net position of \$27.9 million. The improvement is due to the increases in restricted funds of \$31.7 million and unrestricted funds of \$28.5 million. Restricted funds increased due to maintaining higher reserves for debt service and unrestricted funds increased due to an overall positive change in net position. This was offset by a decrease in net investment in capital assets of \$32.3 million as more debt was incurred than capital created during 2014.

### Condensed Financial Statements and Analysis

Condensed Statements of Net Position (000s)					
	2014	2013 As Restated	Increase (Decrease) 2014-2013	2012 As Restated	Increase (Decrease) 2013-2012
<b>Assets:</b>					
Current, restricted, and other assets	\$ 704,266	\$ 603,104	\$ 101,162	\$ 407,731	\$ 195,373
Capital assets (net of accumulated depreciation)	2,763,413	2,659,806	103,607	2,548,816	110,990
<b>Total Assets</b>	<b>3,467,679</b>	<b>3,262,910</b>	<b>204,769</b>	<b>2,956,547</b>	<b>306,363</b>
<b>Deferred Outflow of Resources:</b>					
Bonds and Notes Payable-Deferred Loss on Refunding	10,108	10,618	(510)	—	(510)
<b>Total Deferred Outflow of Resources</b>	<b>10,108</b>	<b>10,618</b>	<b>(510)</b>	<b>—</b>	<b>(510)</b>
<b>Liabilities:</b>					
Current liabilities	95,196	89,432	5,764	86,337	3,095
Non-current liabilities	1,114,639	944,038	170,601	660,307	283,731
<b>Total Liabilities</b>	<b>1,209,835</b>	<b>1,033,470</b>	<b>176,365</b>	<b>746,644</b>	<b>286,826</b>
<b>Net Position:</b>					
Net investment in capital assets	1,845,394	1,877,692	(32,298)	1,928,200	(50,508)
Restricted	142,764	111,066	31,698	106,693	4,373
Unrestricted	279,794	251,300	28,494	175,010	76,290
<b>Total Net Position</b>	<b>\$ 2,267,952</b>	<b>\$ 2,240,058</b>	<b>\$ 27,894</b>	<b>\$ 2,209,903</b>	<b>\$ 30,155</b>

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Management's Discussion And Analysis (*Continued*)

#### **2014 Analysis**

Current, restricted and other assets increased \$101.2 million or 16.8% in the current year. The increase is predominately due to unrestricted and restricted cash and investments received as part of the issuance of debt in 2014. In addition, unrestricted receivables increased due to higher sewer rates and a lower allowance for sewer service charges.

Capital assets net of accumulated depreciation increased by \$103.6 million or 3.9% in the current year as the result of continued high levels of construction and acquisition of assets by the District.

Current liabilities increased by \$5.8 million or 6.4%, as the result of increases for new debt interest accrual and the accounting change related to accrued interest, as discussed in the Reclassification section of Note 1 to the financial statements.

Non-current liabilities increased by \$170.6 million or 18.1% as the District issued \$150 million in new senior debt with a premium.

#### **2013 Analysis**

Current restricted and other assets increased \$195.4 million or 47.9% in the current year. The increase is predominately due to the restricted cash and investments received as part of the issuance of debt in 2013, used to fund more of the capital program.

Capital assets net of accumulated depreciation increased by \$111.0 million or 4.4% in the current year as the result of continued high levels of construction and acquisition of assets by the District.

Current liabilities increased by \$3.1 million or 3.6%, as the result of increases in deposits and accrued expenses from water backup claims and additional interest accruals on new debt.

Non-current liabilities increased by \$283.7 million or 43.0% as the District issued \$225 million in new senior debt with premium.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Management's Discussion And Analysis (Continued)

### Statements of Revenues, Expenses, and Changes in Net Position (000s)

	2014	2013 As Restated	Increase (Decrease) 2014-2013	2012 As Restated	Increase (Decrease) 2013-2012
<b>Operating Revenues:</b>					
Sewer service charges	\$ 250,133	\$ 238,635	\$ 11,498	\$ 227,677	\$ 10,958
Provision for doubtful sewer service charge accounts	7,210	(2,655)	9,865	(6,911)	4,256
Licenses, permits, and other fees	6,563	2,731	3,832	2,684	47
Other	1,867	3,235	(1,368)	2,550	685
<b>Total Operating Revenues</b>	<b>265,773</b>	<b>241,946</b>	<b>23,827</b>	<b>226,000</b>	<b>15,946</b>
<b>Non-operating Revenues:</b>					
Property taxes levied by the district	27,450	26,016	1,434	24,604	1,412
Investment income	2,967	1,057	1,910	2,407	(1,350)
Rent and other income	302	293	9	295	(2)
<b>Total Non-operating Revenues</b>	<b>30,719</b>	<b>27,366</b>	<b>3,353</b>	<b>27,306</b>	<b>60</b>
<b>Total Revenues</b>	<b>296,492</b>	<b>269,312</b>	<b>27,180</b>	<b>253,306</b>	<b>16,006</b>
<b>Operating Expenses:</b>					
Pumping and treatment	54,126	54,526	(400)	49,005	5,521
Collection system maintenance	39,988	37,877	2,111	36,695	1,182
Engineering	12,184	12,020	164	8,544	3,476
General and administrative	45,661	41,485	4,176	33,180	8,305
Water backup claims	2,713	3,503	(790)	2,050	1,453
Depreciation	74,087	70,030	4,057	66,742	3,288
Asset management	12,539	10,717	1,822	20,092	(9,375)
<b>Total Operating Expenses</b>	<b>241,298</b>	<b>230,158</b>	<b>11,140</b>	<b>216,308</b>	<b>13,850</b>
<b>Non-operating Expenses:</b>					
Net (gain) loss on disposal and sale of capital assets	5,248	796	4,452	3,163	(2,367)
Non-recurring projects and studies	3,493	4,676	(1,183)	6,403	(1,727)
Legal Claims	—	—	—	5	(5)
Interest expense	25,661	21,062	4,599	16,365	4,697
<b>Total Non-operating Expenses</b>	<b>34,402</b>	<b>26,534</b>	<b>7,868</b>	<b>25,936</b>	<b>598</b>
<b>Total Expenses</b>	<b>275,700</b>	<b>256,692</b>	<b>19,008</b>	<b>242,244</b>	<b>14,448</b>
<b>Income Before Capital Grants And Contribution</b>	<b>20,792</b>	<b>12,620</b>	<b>8,172</b>	<b>11,062</b>	<b>1,558</b>
Capital Grants And Contributions	7,102	17,535	(10,433)	9,659	7,876
<b>Change in Net Position</b>	<b>27,894</b>	<b>30,155</b>	<b>(2,261)</b>	<b>20,721</b>	<b>9,434</b>
Net Position - Beginning of Year	2,240,058	2,209,903	30,155	2,189,182	20,721
<b>Net Position - End of Year</b>	<b>\$ 2,267,952</b>	<b>\$ 2,240,058</b>	<b>\$ 27,894</b>	<b>\$ 2,209,903</b>	<b>\$ 30,155</b>



## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Management's Discussion And Analysis (*Continued*)

#### 2014 Analysis

Net position increased \$27.9 million or 1.2% over the prior year. Sewer service revenue increased as a result of rate increases. The provision for doubtful sewer service charges decreased due to the District's use of new analytical tools leading the District to change its methodology in determining doubtful accounts. Operating expenses also increased primarily from various increases in operating costs. Interest expense also increased, as well as the loss on disposal.

Total revenue increased by \$27.2 million or 10.1%. Sewer service charges increased \$11.5 million or 4.8% and the provision for doubtful accounts decreased by \$9.9 million or 371.6% as explained above. Licenses, permits and other fees increased \$3.8 million or 140.3% due primarily to an increase in waste haul permits. Investment income increased \$1.9 million or 180.7% due to favorable market conditions. Property tax revenue increased by \$1.4 million or 5.5% due to taxes collected from the prior year. Other revenue had a decrease of \$1.3 million.

Total expenses increased by \$19.0 million or 7.4%. Operating expenses increased by \$11.1 million or 4.8%. This increase is a result of the following:

- \$4.2 million or 10.1% increase in general administrative costs due to higher professional services primarily related to the upgrade in the District's extensive billing and collection system. In addition, there were increases in worker's compensation and general liability judgments and claims;
- \$4.1 million or 5.8% increase in depreciation costs due to new asset capitalization;
- \$2.1 or 5.6% increase in collection system maintenance costs as a result of increased personnel costs, as well as inventory. The increase related to inventory included new process implemented for inventory obsolescence;
- \$1.8 million or 17.0% increase in asset management as the capital improvement fund was increased;
- Offset by a decrease of \$0.8 million or 22.6% in water backup due to a reduction in the claim reserve.

Non-operating expenses increased by \$7.9 million or 29.7%. This increase is a result of the following:

- \$4.6 million or 20.4% increase in interest expense due to the issuance of new senior and subordinate bonds;
- \$4.5 million or 559.7% increase in the loss on disposals due to the MO River Waste Water Treatment Plant expansion that included demolition of some plant assets resulting in a loss for those demolished assets;
- Offset by a decrease of \$1.2 million or 25.3% in non-recurring projects and studies.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Management's Discussion And Analysis (*Continued*)

#### 2013 Analysis

Net position increased \$30.1 million or 1.4% over the prior year. Sewer service revenue increased as a result of rate increases and improved collection over the prior year, expenses also increased primarily from some increases in operating costs, as well as increased water backup claims from the prior year.

Total revenue increased by \$16.0 million or 6.3%. Sewer service charges increased \$11.0 million and the provision for doubtful accounts decreased by \$4.3 million or 61.6% as part of the increases collection activities. Property tax revenue increased by \$1.4 million from increased in property valuation. Other revenue increased by \$0.7 million due to projects completed for the City of Arnold. Investment income declined by \$1.4 million or 56.1% due to changing market conditions

Total expenses increased by \$14.4 million or 5.9%.

Operating expenses increased by \$13.8 million or 6.4%. This increase is a result of the following:

- \$8.3 million or 25% increase in general and administrative costs primarily as the result of a large insurance reimbursement in FY12 that was not repeated in FY13;
- \$6.7 million or 7.8% increase in combined pumping and collection costs as a result of increased personnel costs, costs related to heavy spring rains, and equipment repair and replacement;
- \$1.5 million or 70.9% increase in water backup claims due to more claims over the prior year when drought conditions limited flooding claims;
- \$3.5 million or 40.7% increase in engineering costs due primarily to personnel costs related to non-capital, asset management projects;
- \$3.3 million or 4.9% increase in depreciation costs due to new asset capitalization;
- Offset by a decrease of \$9.4 million or 46.7% in asset management as costs were eliminated.

Non-operating expenses increased by \$0.6 million or 1.6%. This increase is a result of the following:

- \$4.7 million or 28.7% increase in interest expense offset by \$4.1 million or 42.8% decreases in combined losses on disposal of assets and non-recurring projects and studies.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Management's Discussion And Analysis *(Continued)*

### Condensed Statements of Cash Flows (000s)

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Cash flows from operating activities	\$ 81,864	\$ 84,882	\$ (3,018)	\$ 67,839	\$ 17,043
Cash flows from non-capital financing activities	27,468	23,014	4,454	24,604	(1,590)
Cash flows from capital and related financing activities	(25,597)	83,449	(109,046)	(91,085)	174,534
Cash flows from investing activities	(86,487)	(168,410)	81,923	60,540	(228,950)
Net increase (decrease) in cash and cash equivalents	(2,752)	22,935	(25,687)	61,898	(38,963)
Cash and cash equivalents at beginning of year	181,755	158,820	22,935	96,922	61,898
<b>Cash And Cash Equivalents At End Of Year</b>	<b>\$ 179,003</b>	<b>\$ 181,755</b>	<b>\$ (2,752)</b>	<b>\$ 158,820</b>	<b>\$ 22,935</b>

### 2014 Analysis

The District ended the year with \$179.0 million in cash and cash equivalents or a decrease of \$2.8 million from the prior year. Cash flows from operating activities decreased by \$3.0 million or 3.6% as the result of increased outflows to suppliers for goods and services. Cash flows from non-capital financing activities increased by \$4.5 million or 19.4% due to greater tax revenue collected, mainly from the prior year. Cash flow from capital and related financing activities decreased by \$109.0 million or 130.7% as the result of decreased bond proceeds and premiums received in 2014 compared to 2013. Cash flows from investing activities increased by \$81.9 million or 48.6%. The increase primarily stems from a decrease in the purchase of investments and an increase in the volume of maturities of investments.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Management's Discussion And Analysis (*Continued*)

#### 2013 Analysis

The District ended the year with \$181.8 million in cash and cash equivalents or \$22.9 million more than the prior year. Cash flows from operating activities increased by \$17.0 million or 25.1% as the result of increased sewer service charge revenue noted above. Cash flows from non-capital financing activities decreased by \$1.6 million or 6.5% from a decrease in tax revenue collected. The decrease stems from both a decrease in property tax collection and a decision by the District to eliminate some sub-district taxes because of sufficient fund balance. Cash flow from capital and related financing activities increased by \$174.5 million or 191.6% as the result of new bond proceeds partially offset by payments for capital improvement. Cash flows from investing activities decreased by \$229.0 million or 378.2%. The decrease primarily stems from the volume of purchases and maturities of investments.

#### Capital Assets

Condensed Statements of Capital Assets  
Net of Depreciation (000s)

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Land	\$ 55,538	\$ 50,077	\$ 5,461	\$ 46,027	\$ 4,050
Construction in progress	299,945	360,508	(60,563)	379,119	(18,611)
Treatment and disposal plant and equipment	737,833	599,178	138,655	611,249	(12,071)
Collection and pumping plant	1,637,375	1,614,112	23,263	1,471,147	142,965
General plant and equipment	32,722	35,931	(3,209)	41,274	(5,343)
<b>Total</b>	<b>\$ 2,763,413</b>	<b>\$ 2,659,806</b>	<b>\$ 103,607</b>	<b>\$ 2,548,816</b>	<b>\$ 110,990</b>

#### 2014 Analysis

Total capital assets, net of depreciation, increased by \$103.6 million or 3.9% over the prior year. Treatment and disposal plant and equipment contained the majority of the increase with a net \$157.2 million or 15.3% with 173.5 million additions offset by \$16.3 retirements this fiscal year. Collection and pumping plant increased \$59.9 million or 2.7% primarily for capitalization of assets including dedicated assets and infrastructure repairs. Land increased \$5.5 million or 10.9% from the acquisition of thirteen different properties. General plant and equipment increased \$1.4 million or 1.5% primarily due to the purchase of vehicles. Construction in progress decreased \$60.6 million or 16.8% as constructed assets were placed in service. For more detailed information, see Note 4, capital assets, in the accompanying notes to the financial statements.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Management's Discussion And Analysis *(Continued)*

### 2013 Analysis

Total capital assets, net of depreciation, increased by \$111.0 million over the prior year. Collection and pumping plants contained the majority of the increase with \$143.0 million coming on-line this fiscal year. Land increased \$4.0 million from the acquisition of easements and other land. Construction in progress decreased by \$18.6 million as constructed assets were moved into service. Treatment and disposal plant and equipment decreased by \$12.1 million as the District's plants depreciated. General plant and equipment decreased by \$5.3 primarily due to depreciation of existing assets. For more detailed information, see Note 4, capital assets, in the accompanying notes to the financial statements.

### Long-Term Debt

#### The Metropolitan St. Louis Sewer District Condensed Statements of Long-Term Debt (000s)

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
<b>Senior Revenue Bonds:</b>					
Series 2004A	\$ —	\$ 2,375	\$ (2,375)	\$ 163,630	\$ (161,255)
Series 2006C	60,000	60,000	—	60,000	—
Series 2008A	30,000	30,000	—	30,000	—
Series 2010B	85,000	85,000	—	85,000	—
Series 2011B	48,925	50,610	(1,685)	52,250	(1,640)
Series 2012A	225,000	225,000	—	—	225,000
Series 2012B	141,730	141,730	—	—	141,730
Series 2013B	150,000	—	150,000	—	—
<b>Subordinate Revenue Bonds:</b>					
Series 2004B	105,155	108,780	(3,625)	115,960	(7,180)
Series 2005A	4,750	4,750	—	5,055	(305)
Series 2006A	32,085	32,085	—	34,225	(2,140)
Series 2006B	10,945	10,945	—	11,620	(675)
Series 2008AB	31,140	32,040	(900)	33,833	(1,793)
<b>Missouri DNR:</b>					
Series 2009A	19,589	20,093	(504)	21,085	(992)
Series 2010A	7,299	7,472	(173)	5,880	1,592
Series 2010C	33,224	33,999	(775)	35,519	(1,520)
Series 2011A	39,769	31,963	7,806	1,007	30,956
Series 2013A	16,043	—	16,043	—	—
Energy Loan Program	166	225	(59)	237	(12)
Oracle/Blue Heron	—	—	—	3,096	(3,096)
<b>Total</b>	<b>\$ 1,040,820</b>	<b>\$ 877,067</b>	<b>\$ 163,753</b>	<b>\$ 658,397</b>	<b>\$ 218,670</b>

# **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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## **Management's Discussion And Analysis (*Continued*)**

### **2014 Analysis**

The District ended fiscal year 2014 with \$1,041 million in long-term debt outstanding. The District had one bond addition this year, a senior revenue bond (Series 2013B) for \$150.0 million. In addition, the District added a new SRF bond (Series 2013A) for \$16.0 million and added to SRF bonds 2009A (\$.5M), 2010A (\$.2M), 2010C (\$.8M), and 2011A (\$7.8M). For more detailed information, see Note 6, long-term liabilities, in the accompanying notes to the financial statements.

### **2013 Analysis**

The District ended fiscal year 2013 with \$877.1 million in long-term debt outstanding. The District had two bond additions this year, a senior revenue bond (Series 2012A) for \$225.0 million and a refunding of 2004A for \$141.7 million (Series 2012B). In addition, the District added to SRF bonds 2010A (\$1.9M) and 2011A (\$31.0M). For more detailed information, see Note 6, long-term liabilities, in the accompanying notes to the financial statements.

### **Decisions Impacting the Future**

On July 7, 2011, the District entered into a Consent Decree (CD) with the U.S. Environmental Protection Agency and the Coalition for the Environment settling a lawsuit for alleged violations of the Clean Water Act. Along with providing a schedule for implementation of various system improvements and programs, the CD also addressed all allegations made by the Plaintiffs in this action. The public comment period ended October 10, 2011. The Court extended the stay of litigation until November 18, 2011, with a joint status report due on November 25, 2011. The CD did not become final until it was entered by the Federal Court on April 27, 2012. See Note 12 for additional information regarding this litigation.

Integral to helping MSD's rate payers understand the Consent decree is MSD's initiation of Project Clear. The goal of Project Clear is to help MSD's rate payers have a clear understanding of MSD's goals and objectives. Project Clear consists of three main components:

- Getting The Rain Out which is focused on reducing the sewer system infrastructure to help reduce basement back-ups and overflows;
- Performing Repair and Maintenance to the existing infrastructure to ensure it operates as well as possible for as long as possible, and
- Building System Improvements where needed to increase the capacity of the system.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### **Management's Discussion And Analysis (*Continued*)**

Unlike previous MSD programs, Project Clear will greatly affect the daily lives of many of our rate payers. Project Clear is needed to help the rate payer understand the individual and regional, as well as the immediate and long term, benefits of the program.

The District continued to implement the next phase of the capital program reflected in the \$1 billion of projects through FY16 in order to comply with the CD. At an election held on June 5, 2012, voters within the District approved the issuance by the District of \$945,000,000 in sewer system revenue bonds to enable the District to comply with federal and state clean water requirements. The District may use the proceeds of such revenue bonds for the purpose of constructing, repairing, replacing and equipping new and existing District wastewater facilities. This authorization has now seen three issuances of bonds; in August 2012 of \$225,000,000, October 2013 of \$52,000,000, and December 2013 of \$150,000,000. These funds are restricted and can only be used to fund capital expenditures.

The District is also upgrading its extensive billing and collection system to incorporate the latest utility technology. The new system will result in more efficient processes and the ability to continue to expand its customer outreach efforts. The new technology will provide 21st century capabilities to utilize the multiple ways now available to better communicate with its customers understand their needs and continue to align the District's responsiveness accordingly. Full implementation of the system is expected by the summer of 2015.

The District's Board of Trustees implemented an impervious based stormwater rate on March 1, 2008 replacing its prior funding mechanism of property taxes and user fees. The impervious based stormwater rate was again increased on January 1, 2009. On July 9, 2010, a circuit court of St. Louis County found this impervious rate to be unconstitutional, as implemented, under Missouri law. In response to this ruling, the Board suspended the impervious based stormwater rate and reinstituted the District's stormwater property taxes and user fees previously rolled back on a voluntary basis as part of the stormwater rate plan. The District lost both its subsequent appeals to the Appellate and Missouri Supreme Court negating the culmination of a 20-year effort to adequately fund much needed stormwater services for District ratepayers. The impact of this court decision has resulted in a dramatic reduction in stormwater services being provided across the District with many customers receiving little or no stormwater services until an alternative funding source is identified.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Management's Discussion And Analysis (*Continued*)

#### **Requests For Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed or e-mailed to:

Janice M. Zimmerman, Director of Finance/CFO  
The Metropolitan St. Louis Sewer District  
2350 Market Street  
St. Louis, MO 63103-2555  
314-768-6200  
jzimmer@stlmsd.com



# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## STATEMENTS OF NET POSITION

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Assets</b>		
<b>Current Assets</b>		
<b>Unrestricted Current Assets</b>		
Cash and cash equivalents	\$ 95,037,786	\$ 91,333,756
Investments	105,100,875	68,975,608
Sewer service charges receivable, less allowance of \$3,991,589 in 2014 and \$3,819,791 in 2013	46,563,727	34,207,405
Unbilled sewer service charges receivable, less allowance of \$404,638 in 2014 and \$351,645 in 2013	20,231,912	17,582,233
Property taxes receivable, less allowance of \$515,097 in 2014	2,136,300	2,325,743
Accrued income on investments	756,384	830,906
Other receivables	1,057,452	964,595
Supplies inventory	6,223,099	6,621,892
<b>Total Unrestricted Current Assets</b>	<b>277,107,535</b>	<b>222,842,138</b>
<b>Restricted Current Assets</b>		
Cash and cash equivalents	6,086,299	3,652,344
Investments	7,568,587	3,201,720
<b>Total Restricted Current Assets</b>	<b>13,654,886</b>	<b>6,854,064</b>
<b>Total Current Assets</b>	<b>290,762,421</b>	<b>229,696,202</b>
<b>Non-Current Assets</b>		
<b>Restricted Assets</b>		
Cash and cash equivalents	77,878,696	86,768,505
Investments	181,161,245	97,580,234
Long-term investments	66,104,134	80,865,957
Property taxes receivable, less allowance of \$623,992 in 2014	848,360	676,622
Accrued income on investments	309,140	178,775
<b>Total Restricted Non-Current Assets</b>	<b>326,301,575</b>	<b>266,070,093</b>
<b>Other Assets</b>		
Notes receivable	14,116,801	14,640,552
Long-term investments	73,085,475	92,697,236
<b>Total other assets</b>	<b>87,202,276</b>	<b>107,337,788</b>
<b>Capital Assets</b>		
Depreciable:		
Treatment and disposal plant and equipment	1,184,278,860	1,027,055,525
Collection and pumping plant	2,286,108,470	2,226,256,235
General plant and equipment	93,600,648	92,176,648
	<b>3,563,987,978</b>	<b>3,345,488,408</b>
Less: Accumulated depreciation	<b>1,156,057,471</b>	<b>1,096,266,136</b>
Net depreciable assets	<b>2,407,930,507</b>	<b>2,249,222,272</b>
Non-depreciable:		
Land	55,537,816	50,076,644
Construction in progress	299,944,922	360,507,520
Net capital assets	<b>2,763,413,245</b>	<b>2,659,806,436</b>
<b>Total Non-Current Assets</b>	<b>3,176,917,096</b>	<b>3,033,214,317</b>
<b>Total Assets</b>	<b>3,467,679,517</b>	<b>3,262,910,519</b>
<b>Deferred Outflow of Resources</b>		
Bonds and Notes Payable-Deferred Loss on Refunding	10,108,350	10,617,604
<b>Total Deferred Outflow of Resources</b>	<b>10,108,350</b>	<b>10,617,604</b>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## STATEMENTS OF NET POSITION *(Continued)*

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Contracts and accounts payable	\$ 30,795,756	\$ 32,258,712
Deposits and accrued expenses	33,336,518	27,268,022
Retainage payable	9,566,082	9,749,687
Current portion of bonds and notes payable	20,268,080	19,435,714
	<u>93,966,436</u>	<u>88,712,135</u>
<b>Current Liabilities-Payable From Restricted Assets</b>		
Contracts and accounts payable	1,015,380	504,746
Retainage payable	214,063	215,334
	<u>1,229,443</u>	<u>720,080</u>
<b>Total Current Liabilities</b>	<u>95,195,879</u>	<u>89,432,215</u>
<b>Non-Current Liabilities</b>		
Deposits and accrued expenses	11,811,608	10,398,107
Bonds and notes payable	1,102,827,585	933,639,841
<b>Total Non-Current Liabilities</b>	<u>1,114,639,193</u>	<u>944,037,948</u>
<b>Total Liabilities</b>	<u>1,209,835,072</u>	<u>1,033,470,163</u>
<b>Net Position</b>		
Net investment in capital assets	1,845,394,270	1,877,692,035
Restricted for:		
Debt service	71,843,246	47,140,132
Subdistrict construction and improvement	70,920,910	63,925,875
Unrestricted	<u>279,794,369</u>	<u>251,299,918</u>
<b>Total Net Position</b>	<u>\$ 2,267,952,795</u>	<u>\$ 2,240,057,960</u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Operating Revenues</b>		
Sewer service charges	\$ 250,133,022	\$ 238,634,709
Recovery (provision) of doubtful sewer service charge accounts	7,210,322	(2,654,644)
Licenses, permits and other fees	6,562,607	2,731,497
Other	1,866,902	3,234,775
<b>Total Operating Revenues</b>	<u>265,772,853</u>	<u>241,946,337</u>
<b>Operating Expenses</b>		
Pumping and treatment	54,125,550	54,526,256
Collection system maintenance	39,987,811	37,876,932
Engineering	12,184,007	12,019,666
General and administrative	45,661,041	41,485,255
Water backup claims	2,713,168	3,503,220
Depreciation	74,087,207	70,029,840
Asset management	12,538,851	10,717,265
<b>Total Operating Expenses</b>	<u>241,297,635</u>	<u>230,158,434</u>
<b>Operating Income</b>	<u>24,475,218</u>	<u>11,787,903</u>
<b>Non-Operating Revenues</b>		
Property taxes levied by the District	27,450,319	26,016,135
Investment income	2,966,549	1,056,966
Rent and other income	302,506	293,159
<b>Total Non-Operating Revenues</b>	<u>30,719,374</u>	<u>27,366,260</u>
<b>Non-Operating Expenses</b>		
Net loss on disposal and sale of capital assets	5,248,443	795,527
Non-recurring projects and studies	3,492,667	4,676,203
Interest expense	25,661,127	21,062,474
<b>Total Non-Operating Expenses</b>	<u>34,402,237</u>	<u>26,534,204</u>
<b>Income Before Capital Grants And Contributions</b>	<u>20,792,355</u>	<u>12,619,959</u>
<b>Capital Grants And Contributions</b>		
Utility plant contributed	6,873,732	17,510,735
Grant revenue	228,748	24,184
<b>Total Capital Grants And Contributions</b>	<u>7,102,480</u>	<u>17,534,919</u>
<b>Change In Net Position</b>	<u>27,894,835</u>	<u>30,154,878</u>
<b>Net Position - Beginning Of Year, As Previously Stated</b>	2,240,057,960	2,218,294,341
<b>Effect of Adoption of GASB 65</b>	—	(8,391,259)
<b>Net Position - Beginning Of Year, As Restated</b>	<u>2,240,057,960</u>	<u>2,209,903,082</u>
<b>Net Position - End Of Year</b>	<u><u>\$ 2,267,952,795</u></u>	<u><u>\$ 2,240,057,960</u></u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## STATEMENTS OF CASH FLOWS

	<b>For The Years Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 251,198,137	\$ 242,341,372
Paid to employees for services	(91,425,385)	(92,818,922)
Paid to suppliers for goods and services	(77,909,148)	(64,640,786)
<b>Net Cash Provided By Operating Activities</b>	<b>81,863,604</b>	<b>84,881,664</b>
<b>Cash Flows Provided By Non-Capital Financing Activities</b>		
Taxes levied and collected	27,468,024	23,013,770
<b>Cash Flows From Capital And Related Financing Activities</b>		
Proceeds from capital grants	233,450	24,639
Proceeds from issuance of debt	173,411,628	257,888,292
Premium on sale of bonds	9,937,121	35,097,262
Interest received on bond proceeds to be used for capital improvements	348,476	250,753
Principal paid on debt	(10,071,556)	(21,857,996)
Interest and fees paid on debt	(37,522,184)	(35,117,398)
Payments for capital assets	(163,882,733)	(154,847,862)
Proceeds from sale of capital assets	345,039	269,073
Build America bond tax credit	1,603,658	1,742,160
<b>Net Cash Provided By (Used In) Capital And Related Financing Activities</b>	<b>(25,597,101)</b>	<b>83,448,923</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(627,117,753)	(671,031,454)
Proceeds from sale and maturity of investments	535,352,043	497,314,140
Investment income	4,976,853	5,014,629
Proceeds from rents	302,506	293,159
<b>Net Cash Used In Investing Activities</b>	<b>(86,486,351)</b>	<b>(168,409,526)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(2,751,824)</b>	<b>22,934,831</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b>181,754,605</b>	<b>158,819,774</b>
<b>Cash And Cash Equivalents At End Of Year</b>	<b>\$ 179,002,781</b>	<b>\$ 181,754,605</b>
<b>Non-Cash Capital And Investing Activities</b>		
Capital asset additions included in accounts payable	\$ 18,928,794	\$ 15,362,389
Utility plant contributed by other governments and developers	6,873,732	17,510,735
Fair value investment adjustment gain (loss)	147,773	(3,140,483)
Refunding - debt issued 2012B (See Note 6)	—	141,730,000
Debt refunded 2004A (See Note 6)	—	(161,255,000)

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# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## STATEMENTS OF CASH FLOWS *(Continued)*

	For The Years Ended June 30,	
	2014	2013
<b>Reconciliation Of Operating Income (Loss) To Net Cash Flows Provided By Operating Activities</b>		
<b>Operating Income (Loss)</b>	\$ 24,475,218	\$ 11,787,904
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	74,087,207	70,029,840
Change in operating assets and liabilities:		
(Increase) decrease in billed and unbilled sewer service charges receivable	(15,006,001)	959,525
Increase in other receivables	(97,560)	(91,259)
(Increase) decrease in supplies inventory	398,793	(320,858)
Decrease in contracts and accounts payable	(6,122,709)	(1,109,475)
Increase in deposits and accrued expenses	4,128,656	3,625,987
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 81,863,604</b>	<b>\$ 84,881,664</b>

# **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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## **NOTES TO FINANCIAL STATEMENTS**

### **1. Organization And Summary Of Significant Accounting Policies**

#### **Organization**

The Metropolitan St. Louis Sewer District (the District) was authorized by the voters, established and chartered under the provisions of the Constitution of Missouri, as a municipal corporation and a political subdivision of the State of Missouri. Upon creation in 1954, the District assumed responsibilities to provide for the construction, operation, and maintenance of the sewer facilities within its defined boundaries. The District's service area now comprises all of the City of St. Louis and most of St. Louis County. Subdistricts within the District's total service area represent separate geographic areas within which specific taxes are levied for the retirement of indebtedness issued to finance construction of sanitary or stormwater facilities within the area or to operate, maintain, or construct improvements within the subdistrict. The District also maintains all of the publicly owned stormwater sewers within its original boundaries and is continuing to accept maintenance of the stormwater sewers in the remainder of its service area.

Pursuant to provisions of its charter and subject to limitations imposed by the Constitution of Missouri, all powers of the District are vested in a six-member Board of Trustees (the Board), three of whom are appointed by the Mayor of the City of St. Louis and three of whom are appointed by the County Executive of St. Louis County.

#### **Reporting Entity**

The District defines its financial reporting entity to include all component units for which the District's governing body is financially accountable. To be considered financially accountable, the component unit must be fiscally dependent on the District and the District must either 1) be able to impose its will on the component unit or 2) the relationship must have the potential for creating a financial benefit or imposing a financial burden on the District.

Based on the foregoing, the District's financial statements include all funds that are established under the authority of the District's charter. There are no agencies, boards, commissions, or authorities that are controlled by or dependent on the District.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

#### **Measurement Focus, Basis Of Accounting And Financial Statement Presentation**

Throughout the year, the District maintains its detailed accounting records on the modified accrual basis of accounting. In order to account for the transactions related to certain subdistricts and restricted resources, separate fund accounting records are maintained. For financial reporting purposes, the District reports its operations as a single enterprise fund. Accordingly, the accounting records are converted to the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The District's measurement focus is on the flow of economic resources. Unbilled sewer service charge revenues are accrued by the District based on estimated billings for services provided through the end of the current fiscal year.

Revenues and expenses are divided into operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are user fees, licenses, and permits for wastewater treatment services. Operating expenses include the costs associated with the conveyance and treatment of wastewater, stormwater, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The District follows GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), which establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

GASB 33 groups non-exchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The District recognizes assets from imposed non-exchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used for the first period that use is permitted. The District recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include licenses, permits, and other fees.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### **Cash And Cash Equivalents**

The District considers all highly liquid investments that are immediately available to the District to be cash equivalents.

#### **Investments**

The District accounts for its investments at fair value. Fair value is determined using quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

#### **Restricted Cash, Cash Equivalents And Investments**

Cash, cash equivalents and investments that are externally restricted are classified as restricted assets. These assets are used to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or other non-current assets or for other restricted purposes.

#### **Reclassifications**

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The District had two main areas of reclassifications within the financial statements.



## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

The first new presentation affected numerous asset lines as well as two liability lines and the net position section. The District's review of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), paragraphs 30 & 31 resulted in the District reclassifying the following:

- Reclassified the District-wide Stormwater Fund out of Non-current Restricted Assets and placed into Current Unrestricted Assets as well as out of Current Liabilities Payable from Restricted Assets and placed into Current Liabilities. This was due to the determination of ordinance 13274 having no intent to restrict these funds and nearly all intended expenditures are operational, not capital in nature.
- Reclassified the Stormwater Operations and Maintenance Fund out of Non-current Restricted Assets and placed into Current Restricted Assets. This was due to the determination of ordinance 13274 stating a restriction of using funds solely for "existing public stormwater facilities." In addition, nearly all intended expenditures are to be operational, not capital, in nature.
- The presentation of unspent bond proceeds changed from Current Restricted Assets and is now presented in Non-current Restricted Assets. This was due to the determination that these funds are to be disbursed for the construction and/or acquisition of non-current assets resulting in the assets being categorized as non-current. All expenditures are capital not operational, in nature.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

The reclassification presented in the 2013 financial statements is as follows:

Old Presentation of FY 2013		New Presentation of FY 2013	
Current Assets:		Current Assets:	
Unrestricted Current Assets:		Unrestricted Current Assets:	
Cash and cash equivalents	\$ 84,400,724	Cash and cash equivalents	\$ 91,333,756
Investments	67,190,638	Investments	68,975,608
Accrued income on investments	807,632	Accrued income on investments	830,906
	<u>152,398,994</u>		<u>161,140,270</u>
Restricted Current Assets:		Restricted Current Assets:	
Cash and cash equivalents	69,449,837	Cash and cash equivalents	3,652,344
Investments	79,625,995	Investments	3,201,720
	<u>149,075,832</u>		<u>6,854,064</u>
Non-current Assets:		Non-current Assets:	
Restricted Assets:		Restricted Assets:	
Cash and cash equivalents	27,904,044	Cash and cash equivalents	86,768,505
Investments	22,940,929	Investments	97,580,234
Long-term investments	83,261,367	Long-term investments	80,865,957
Accrued income on investments	202,049	Accrued income on investments	178,775
	<u>134,308,389</u>		<u>265,393,471</u>
Other Assets		Other Assets	
Long-term investments	90,301,826	Long-term investments	92,697,236
Current Liabilities:		Current Liabilities:	
Contracts and accounts payable	27,421,384	Contracts and accounts payable	32,258,712
Current Liabilities		Current Liabilities	
Payable From Restricted Assets:		Payable From Restricted Assets:	
Contracts and accounts payable	5,342,074	Contracts and accounts payable	504,746
	<u>5,342,074</u>		<u>504,746</u>
Grand Total	<u>\$ 493,321,583</u>	Grand Total	<u>\$ 493,321,583</u>
Net Position:		Net Position:	
Restricted for:		Restricted for:	
Subdistrict construction and improvement	\$ 70,225,233	Subdistrict construction and improvement	\$ 63,925,875
Unrestricted	245,000,561	Unrestricted	251,299,919
	<u>315,225,794</u>		<u>315,225,794</u>
Grand Total	<u>\$ 315,225,794</u>	Grand Total	<u>\$ 315,225,794</u>

The second presentation change relates to the District's classification of principal and interest payments. All of the District's subordinate debt requires monthly escrow deposits to be made for semiannual/annual principal and interest payments due on either January 1st or July 1st. In prior years, the principal liability was reduced and interest expense was recognized at the time each monthly escrow deposit was recorded. In order to align outstanding long-term debt on the District's Statement of Net Position with bank account balances, the District now records a reduction to the liability only when the actual principal payments are made to the bond holders. In addition, the subordinate bonds' interest is accrued and an expense is recognized when interest is due. This change represents a change in accounting practice and has been retroactively adopted and balances have been restated as of July 1, 2012. This change had no retroactive effect on net position.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Notes To Financial Statements (*Continued*)

#### Adoption of New Accounting Standards

During the year, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Under GASB 65, bond issuance costs will now be expensed as incurred, instead of being amortized over the term of the bond.

The implementation of GASB 65 also resulted in the reclassification of the unamortized portion of bond refunding losses related to the District's 2012B refunding issue. These amounts are now reported as Deferred Outflows of Resources instead of as a reduction of Bonds Payable as shown below:

<u>Account</u>	<u>New Classification</u>	<u>Amount</u>
Deferred Loss on refunding (previously included in bonds payable, net)	Deferred outflows of resources	\$ 10,617,604
Bond issuance costs (the unamortized portion was previously reported as an asset)	Outflow of resources	9,138,892

The District's adoption of GASB 65 in fiscal year 2014 has been applied retroactively to fiscal year 2012 to reflect the expensing of bond issuance costs. The impact of this change on the District's Statement of Net Position is as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net position, beginning of year, as previously reported	\$ 2,249,196,853	\$ 2,218,294,341
Effect of change in accounting related to bond issuance costs	<u>(9,138,893)</u>	<u>(8,391,259)</u>
Net position, end of year, as restated	<u>\$ 2,240,057,960</u>	<u>\$ 2,209,903,082</u>

#### Accounts Receivable

Accounts receivable is composed primarily of charges to customers for wastewater and stormwater services. Receivables are reported at their gross values net of an allowance for uncollectible amounts.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

#### **Capital Assets**

Capital assets are valued at historical cost or estimated historical cost based in part upon a study performed in 1981. Donated capital assets are recorded at fair value at the time of the contribution to the District. Interest cost is capitalized as part of the historical cost of acquiring certain assets when the effect of such capitalization is material to the financial statements. Interest is not capitalized on assets constructed with contributions from other governmental sources. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Treatment and disposal plant and equipment	10 to 70 years
Collection and pumping plant	10 to 100 years
General plant and equipment	3 to 50 years

When designing user charge rates, the District includes funding for replacement cost of assets, which may differ from depreciation expense recorded for financial reporting purposes.

Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Betterments are capitalized and depreciated over the remaining useful lives of the related assets, as applicable. Previously, the District defined capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. In April of 2010 the District updated this policy and as a result, an asset must now have an individual cost of more than \$5,000 to be considered a capital asset. This change in policy does not have a retroactive effect on capital assets put in place before April 2010.

#### **Capitalization Of Interest**

Interest costs are capitalized as part of the costs of capital assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of such borrowed funds from the date of the borrowing until the assets are ready for their intended use is used to reduce the interest costs capitalized on the constructed assets. Interest is not capitalized for outlays financed by capital grants (or other outside parties) externally restricted for the acquisition of specified assets. In 2014 and 2013, the District capitalized \$10,838,482 and \$12,305,615, respectively, of net interest expense.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

#### **Supplies Inventory**

Supplies inventory consists of parts and supplies to be used to operate and maintain treatment facilities and various treatment-related equipment at the District. This inventory figure is netted against those materials and supplies deemed to be obsolete. All inventory is stated at cost and expenses are recognized when the inventory is consumed.

#### **Net Position**

The District's net position is calculated as follows: the net investment in capital assets component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of constraints placed on net position through external constraints imposed by creditors, grantors, contributors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Property taxes levied by the various subdistricts and other revenues received for construction in those sub-districts have also been restricted for that use. Sewer extension and connection fees, grants, and other revenues received for construction within certain sub-districts have been restricted for that use. In addition, a portion of sanitary sewer charges have been restricted for the payment of principal and interest on certain debt of the District.

The unrestricted net position component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### **Capital Contributions**

Capital contributions to the District represent government grants and other aid used to fund capital projects. In accordance with GASB 33, capital contributions are recognized as revenue when the expenditure is made and the amount becomes subject to claim for reimbursement.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

#### **Bond Issuance Costs**

Bond issuance costs incurred are paid from the proceeds of revenue bond issues. Due to GASB 65, bond issue costs are now expensed when incurred, whereas previously they were deferred and amortized using the straight-line method over the term of the bonds. For more detail, please refer to the section entitled "Adoption of New Accounting Standards."

#### **Compensated Absences**

##### **Vacation**

Under the terms of the District's personnel policies, employees are allowed to carry a maximum of 30 to 45 days of vacation (depending on length of service) from one calendar year to the next. Since vacation accrued at year-end is expected to be used by the employee during the following fiscal year, the accrual is reported as a component of current deposits and accrued expenses payable.

##### **Sick Leave**

Employees earn sick pay benefits at accrual rates ranging from 10 days per year to 12 days per year (depending on length of service). Unused sick leave can be carried over at year-end without limitation. An employee retiring from the District with five or more years of service, who has unused accrued sick leave remaining, will be compensated for that portion of unused accrued sick leave at the rate of 1-1/4% for each year of District service. The District has recorded a liability, which has been actuarially determined to be equal to the accumulated expense charge that will amortize the employees' benefits over their period of District service. The liability, included in current deposits and accrued expenses payable, includes vested accumulated rights to receive sick leave benefits estimated to be paid within one year. The portion of sick leave expected to be paid after one year is recorded as a component of non-current deposits and accrued expenses payable.

#### **Use Of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements *(Continued)*

### **2. Deposits And Investments**

#### **Deposits**

At June 30, 2014 the reported amount of the District's deposits was \$46,969,658 and the bank balance was \$50,725,661. Of the bank balance, \$537,812 was covered by federal depository insurance; \$50,187,849 was collateralized with securities held by a third party financial institution in the District's name. In addition, the District has money market mutual funds of \$12,030,165 held in a trusted escrow account for the State that will be used to make future bond payments.

At June 30, 2013 the reported amount of the District's deposits was \$37,781,854 and the bank balance was \$40,154,696. Of the bank balance, \$585,749 was covered by federal depository insurance and \$39,568,947 was collateralized with securities held by a third party financial institution in the District's name.

Custodial credit risk for deposits is the risk that, in the event of bank failure, the District's deposits may not be returned to the District. The District's investment policy complies with the provisions of state laws and requires collateralization on repurchase agreements, time certificates of deposit and deposits with banking institutions with a market value of 103%.

Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for interest bearing accounts and noninterest bearing accounts.

#### **Investments**

With the approval of the District's Board of Trustees, the Secretary-Treasurer is authorized to invest excess cash in any investment authorized by the District's charter. The District's investment policy conforms to the investment policy guidelines for the State of Missouri. The District's investment policy authorizes the District to invest in the following instruments: U.S. Treasury obligations, certificates of deposit, obligations of any agency or instrumentality of the U.S., repurchase agreements, bankers' acceptances, and commercial paper, all according to terms specified in the policy. The District also has investments in money market mutual funds that hold securities approved by the District's investment policy. At June 30, 2014 and 2013, all of the District's investments were in compliance with the District's investment policy and charter.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Notes To Financial Statements (Continued)

A summary of deposits and investments as of June 30, 2014 and 2013 is as follows:

Investment Type	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Deposits	\$ 46,969,658	\$ 46,969,658	\$ 37,781,854	\$ 37,781,854
Money Market Mutual Funds	12,030,165	12,030,165	4,857,117	4,857,117
Certificates of deposit	100,000	100,000	200,000	200,000
U.S. Treasury and agency obligations	456,905,358	455,362,626	388,684,118	386,857,519
Commercial paper	97,513,315	97,560,650	95,318,691	95,378,870
<b>Total</b>	<b>\$ 613,518,495</b>	<b>\$ 612,023,098</b>	<b>\$ 526,841,780</b>	<b>\$ 525,075,360</b>

### Reconciliation to the financial statements:

	2014	2013
<u>Cash and Cash Equivalents</u>		
Unrestricted current	\$ 95,037,786	\$ 91,333,756
Restricted current	6,086,299	3,652,344
Restricted noncurrent	77,878,696	86,768,505
<u>Investments</u>		
Unrestricted current	105,100,875	68,975,608
Restricted current	7,568,587	3,201,720
Restricted noncurrent	181,161,246	97,580,234
<u>Long-term Investments</u>		
Restricted noncurrent	66,104,134	80,865,957
Other	73,085,475	92,697,236
	<b>\$ 612,023,098</b>	<b>\$ 525,075,360</b>



## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Notes To Financial Statements (*Continued*)

#### Interest Rate Risk

As of June 30, 2014 and 2013, the District had the following investments and maturities:

Investment Type	2014		2013	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Money market mutual	\$ 12,030,165	0.00	\$ 4,857,117	0.00
Certificates of deposit	100,000	2.72	200,000	2.07
U.S. Treasury obligations	285,468,272	1.33	188,141,798	0.65
U.S. agency obligations	169,894,354	1.40	198,715,721	2.05
Commercial paper	97,560,650	0.24	95,378,870	0.19
<b>Total</b>	<b>\$ 565,053,441</b>	<b>0.96</b>	<b>\$ 487,293,506</b>	<b>1.13</b>

In accordance with the District's investment policy, the District will minimize the risk that the fair value of debt securities in the portfolio will fall due to increases in general interest rates by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in short-term securities.
3. State law limits the maximum stated maturities to five years on any investment from the date of purchase.

#### Long-term Investments

While the majority of the District's portfolio is made up of short-term investments, the District also categorizes a sizeable amount as long-term under the categories discussed in Note 1. A portion of the District's long-term investments are considered callable securities. These callable securities give the issuer the right to redeem at predetermined prices at a specific time prior to maturity. When a security is called, the District reflects an immediate reclass from long-term investment to cash.

#### Custodial/Credit Risk

The District will minimize credit risk for investments, the risk of loss due to failure of the security issuer or backer, by:

1. Prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

In accordance with its investment policy, the District limits its investments in these investment types to the top rating issued by Nationally Recognized Statistical Rating Organizations. As of June 30, 2014 and 2013, the District's investments in commercial paper were rated A-1 by Standard & Poor's (S&P) and P-1 by Moody's Investors Service (Moody's). The District's investments in U.S. agency obligations that do not carry the explicit guarantee of the U.S. Government all carry a rating assigned by S&P of "AA+" besides one short-term U.S. agency obligation that carries a rating of "A-1+", with a value of \$11,099,030. Money market investments are rated as AAAm and Aaa-mf by S&P and Moody's, respectively.

### Concentration Of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer with respect to U.S. Treasury obligations and collateralized time and demand deposits. U.S. agency obligations and government-sponsored enterprises are limited to 60% of the portfolio, with no more than 30% of the total portfolio invested in securities of any one agency; and collateralized repurchase agreements are limited to 50% of the portfolio. U.S. agency callable securities are limited to 30% of the portfolio, and commercial paper and bankers' acceptances are limited to 25% each, with no more than 5% of the total portfolio invested in any one issuer. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2014 and 2013:

Issuer	Percent Of Total Investments	
	2014	2013
Treasury Notes	50.7	35.8
Federal Home Loan Bank	6.1	13.3
Federal National Mortgage Association	10.1	13.1
Federal Home Loan Mortgage Corporation	9.7	10.1

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements *(Continued)*

#### 3. Note Receivable

The District has a note receivable with the City of Arnold, Missouri (the “City”) for its portion of the capital costs related to the Lower Meramec Wastewater Treatment Plant. The original loan bears interest at 4.35%, while the two new loans added during the 2013 fiscal year bear interest of 4.50% and 3.52%. The current portion of this note is contained in the other receivables line on the statement of net position. The note receivable will mature in fiscal year 2033. At June 30, 2014, future payments are as follows:

2015	\$ 1,154,696
2016	1,154,696
2017	1,154,696
2018	1,154,696
2019	1,154,696
2020-2024	5,773,479
2025-2029	5,773,479
2030-2033	4,027,886
	<hr/>
	21,348,324
Less: Amount representing interest	6,701,534
	<hr/>
	\$ 14,646,790
	<hr/>
Classification in Statement of Net Position:	
Current	\$ 529,989
Non-current	14,116,801
	<hr/>
Total	\$ 14,646,790
	<hr/>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

### 4. Capital Assets

The following is a summary of capital assets changes for the fiscal years ended June 30, 2014 and 2013:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 50,076,644	\$ 5,461,172	\$ —	\$ 55,537,816
Construction in progress	360,507,521	172,185,110	232,747,709	299,944,922
Total capital assets not being depreciated	410,584,165	177,646,282	232,747,709	355,482,738
Capital assets being depreciated:				
Treatment and disposal plant and equipment	1,027,055,525	173,558,583	16,335,248	1,184,278,860
Collection and pumping plant	2,226,256,235	60,764,222	911,987	2,286,108,470
General plant and equipment	92,176,648	4,066,119	2,642,119	93,600,648
Total capital assets being depreciated	3,345,488,408	238,388,924	19,889,354	3,563,987,978
Less: Accumulated depreciation:				
Treatment and disposal plant and equipment	(427,877,724)	(29,816,528)	(11,248,064)	(446,446,188)
Collection and pumping plant	(612,142,650)	(37,117,725)	(527,945)	(648,732,430)
General plant and equipment	(56,245,762)	(7,152,954)	(2,519,863)	(60,878,853)
Total accumulated depreciation	(1,096,266,136)	(74,087,207)	(14,295,872)	(1,156,057,471)
Total capital assets being depreciated, net	2,249,222,272	164,301,717	5,593,482	2,407,930,507
<b>Total Capital Assets</b>	<b>\$ 2,659,806,437</b>	<b>\$ 341,947,999</b>	<b>\$ 238,341,191</b>	<b>\$ 2,763,413,245</b>

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 46,026,763	\$ 4,049,881	\$ —	\$ 50,076,644
Construction in progress	379,119,335	160,031,402	178,643,216	360,507,521
Total capital assets not being depreciated	425,146,098	164,081,283	178,643,216	410,584,165
Capital assets being depreciated:				
Treatment and disposal plant and equipment	1,011,798,185	15,479,009	221,669	1,027,055,525
Collection and pumping plant	2,050,326,859	178,420,467	2,491,091	2,226,256,235
General plant and equipment	91,264,888	2,747,756	1,835,996	92,176,648
Total capital assets being depreciated	3,153,389,932	196,647,232	4,548,756	3,345,488,408
Less: Accumulated depreciation:				
Treatment and disposal plant and equipment	(400,549,004)	(27,550,389)	(221,669)	(427,877,724)
Collection and pumping plant	(579,180,437)	(34,411,858)	(1,449,645)	(612,142,650)
General plant and equipment	(49,991,012)	(8,067,593)	(1,812,843)	(56,245,762)
Total accumulated depreciation	(1,029,720,453)	(70,029,840)	(3,484,157)	(1,096,266,136)
Total capital assets being depreciated, net	2,123,669,479	126,617,392	1,064,599	2,249,222,272
<b>Total Capital Assets</b>	<b>\$ 2,548,815,577</b>	<b>\$ 290,698,675</b>	<b>\$ 179,707,815</b>	<b>\$ 2,659,806,437</b>

**5. Property Tax**

On or before October 1 of each year, the District levies ad valorem taxes on all taxable tangible property, real and personal, within its boundaries based on assessed valuations established by the City of St. Louis and St. Louis County Assessors. Tax rates vary by sub-district and purpose. Taxes levied are used for operations and stormwater maintenance, debt service, and construction. Taxes are recorded as non-operating revenues. Property tax bills are mailed in October. They become delinquent and represent a lien on the related property if not paid by December 31. All property taxes are billed and collected by the City of St. Louis and St. Louis County Collectors' of Revenue and are distributed to the District monthly.

On June 12, 2008, pursuant to Ordinance 12661, the District set the property tax rate at zero and began charging a stormwater service charge on March 1, 2008 based on the property's impervious area.

Only July 9, 2010, the St. Louis County Circuit Court declared that the stormwater user charge was a tax that requires voter approval under the Hancock Amendment I. In July, the District ceased charging customers for stormwater usage and reenacted the property tax that was previously charged. In fiscal years 2014 and 2013, the District recorded revenue from property taxes in the amount of \$27,450,319 and \$26,016,135, respectively.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

### 6. Long-Term Liabilities

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2014:

	Original Issuance Amounts	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
Bonds and notes payable:						
Wastewater System Senior Revenue Bonds:						
Series 2004A	\$ 175,000,000	\$ 2,375,000	\$ —	\$ 2,375,000	\$ —	\$ —
Series 2006C	60,000,000	60,000,000	—	—	60,000,000	—
Series 2008A	30,000,000	30,000,000	—	—	30,000,000	—
Series 2010B	85,000,000	85,000,000	—	—	85,000,000	—
Series 2011B	52,250,000	50,610,000	—	1,685,000	48,925,000	1,755,000
Series 2012A	225,000,000	225,000,000	—	—	225,000,000	—
Series 2012B	141,730,000	141,730,000	—	—	141,730,000	—
Series 2013B	150,000,000	—	150,000,000	—	150,000,000	2,125,000
Water Pollution Control and Drinking Water Subordinate Revenue Bonds (State Revolving Loans Program):						
Series 2004B	161,280,000	108,780,000	3,625,000	7,250,000	105,155,000	7,635,000
Series 2005A	6,800,000	4,750,000	305,000	305,000	4,750,000	310,000
Series 2006A	42,715,000	32,085,000	2,140,000	2,140,000	32,085,000	2,170,000
Series 2006B	14,205,000	10,945,000	675,000	675,000	10,945,000	685,000
Series 2008A/B	40,000,000	32,040,000	900,000	1,800,000	31,140,000	1,820,000
Missouri Department of Natural Resources:						
Energy Loan Program	98,595	1,312	—	1,312	—	—
Energy Loan Program	223,793	223,793	—	57,348	166,445	15,880
Series 2009A	23,000,000	20,093,400	498,400	1,002,500	19,589,300	1,025,700
Series 2010A	7,980,700	7,471,600	171,400	344,500	7,298,500	351,500
Series 2010C	37,000,000	33,999,000	765,000	1,540,000	33,224,000	1,580,000
Series 2011A	39,769,300	31,962,553	7,806,747	—	39,769,300	795,000
Series 2013A	52,000,000	—	16,043,275	—	16,043,275	—
	<u>\$ 1,344,052,388</u>	<u>\$ 877,066,658</u>	<u>\$ 182,929,822</u>	<u>\$ 19,175,660</u>	1,040,820,820	<u>\$ 20,268,080</u>
Add:						
Unamortized premium, net					82,274,845	
<b>Total</b>					<u><u>\$ 1,123,095,665</u></u>	
Deposits and accrued expenses:						
Landfill closure and postclosure costs		\$ 735,800	\$ 21,136	\$ —	\$ 756,936	\$ —
Compensated absences		7,524,797	873,144	414,718	7,983,223	1,995,805
Net OPEB obligation		<u>4,018,709</u>	<u>2,442,145</u>	<u>1,393,600</u>	<u>5,067,254</u>	<u>—</u>
<b>Total</b>		<u><u>\$ 12,279,306</u></u>	<u><u>\$ 3,336,425</u></u>	<u><u>\$ 1,808,318</u></u>	<u><u>\$ 13,807,413</u></u>	<u><u>\$ 1,995,805</u></u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2013:

	Original Issuance Amounts	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Bonds and notes payable:						
Wastewater System Senior Revenue Bonds:						
Series 2004A	\$ 175,000,000	\$ 163,630,000	\$ —	\$ 161,255,000	\$ 2,375,000	\$ 2,375,000
Series 2006C	60,000,000	60,000,000	—	—	60,000,000	—
Series 2008A	30,000,000	30,000,000	—	—	30,000,000	—
Series 2010B	85,000,000	85,000,000	—	—	85,000,000	—
Series 2011B	52,250,000	52,250,000	—	1,640,000	50,610,000	1,685,000
Series 2012A	225,000,000	—	225,000,000	—	225,000,000	—
Series 2012B	141,730,000	—	141,730,000	—	141,730,000	—
Water Pollution Control and Drinking Water Subordinate Revenue Bonds (State Revolving Loans Program):						
Series 2004B	161,280,000	115,960,000	—	7,180,000	108,780,000	7,442,500
Series 2005A	6,800,000	5,055,000	—	305,000	4,750,000	310,000
Series 2006A	42,715,000	34,225,000	—	2,140,000	32,085,000	2,172,500
Series 2006B	14,205,000	11,620,000	—	675,000	10,945,000	685,000
Series 2008A/B	40,000,000	33,832,500	—	1,792,500	32,040,000	1,810,000
Missouri Department of Natural Resources:						
Energy Loan Program	98,595	13,468	—	12,156	1,312	1,312
Energy Loan Program	223,793	223,793	—	—	223,793	32,402
Series 2009A	23,000,000	21,084,500	—	991,100	20,093,400	1,014,000
Series 2010A	7,980,700	5,880,389	1,932,311	341,100	7,471,600	348,000
Series 2010C	37,000,000	35,519,000	—	1,520,000	33,999,000	1,560,000
Series 2011A	39,769,300	1,006,572	30,955,981	—	31,962,553	—
Capital Lease:						
Oracle/Blue Heron	12,000,000	3,096,140	—	3,096,140	—	—
	<u>\$ 1,154,052,388</u>	<u>\$ 658,396,362</u>	<u>\$ 399,618,292</u>	<u>\$ 180,947,996</u>	877,066,658	<u>\$ 19,435,714</u>
Add:						
Unamortized premium, net					76,008,897	
<b>Total</b>					<u><u>\$ 953,075,555</u></u>	
Deposits and accrued expenses:						
Landfill closure and postclosure costs						
		\$ 721,066	\$ 14,734	\$ —	\$ 735,800	\$ —
Compensated absences		7,269,231	853,872	598,306	7,524,797	1,881,199
Net OPEB obligation		<u>3,399,555</u>	<u>2,132,454</u>	<u>1,513,300</u>	<u>4,018,709</u>	<u>—</u>
<b>Total</b>		<u><u>\$ 11,389,852</u></u>	<u><u>\$ 3,001,060</u></u>	<u><u>\$ 2,111,606</u></u>	<u><u>\$ 12,279,306</u></u>	<u><u>\$ 1,881,199</u></u>

## Wastewater System Revenue Bonds Payable

In February 2004, the District received voter authorization for \$500,000,000 of revenue bonds. In August 2008, the District received voter authorization for an additional \$275,000,000 of revenue bonds. In June 2012, the District received voter authorization for another \$945,000,000 of revenue bonds. From the total voter authorization of \$1,720,000,000, \$518,000,000 has not been issued as of June 30, 2014. These funds were sought to enable the District to comply with federal and state clean water requirements.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

In December 2013, the District issued \$150,000,000 of Wastewater System Revenue Bonds Series 2013B (Series 2013B). These bonds were issued pursuant to the June 2012 authorization; in this case for the purpose of constructing, repairing, replacing, and equipping new and existing District wastewater facilities. These senior bonds have interest rates ranging from 2.0% to 5.0% and are payable in semiannual installments at varying amounts through May 1, 2043.

In November 2012, the District issued \$141,730,000 of Wastewater System Revenue Bonds Series 2012B (Series 2012B). These bonds were issued pursuant to the June 2012 authorization: in this case to advance refund the Series 2004A Bonds maturing in fiscal years 2015 and thereafter. These 2012B senior bonds have interest rates ranging from 1.3% to 5.0% and are payable in semiannual installments at varying amounts through May 1, 2034. The Series 2012B's net proceeds of \$169,991,297 (including a premium of \$29,613,138 and after payments of \$761,593 in underwriting fees and \$590,247 in issuance costs) were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, Series 2004A bonds were partially defeased and the liability for those bonds related to a date after May 1, 2014 were removed from the financial statements. This refunding decreased total debt service payments over the next 22 years by \$28,601,189, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$22,439,375.

In August 2012, the District issued \$225,000,000 of Wastewater System Revenue Bonds Series 2012A (Series 2012A). These bonds were issued pursuant to the June 2012 authorization: in this case for the purpose of constructing, repairing, replacing, and equipping new and existing District wastewater facilities. These senior bonds have interest rates ranging from 2.5% to 5.3% and are payable in semiannual installments at varying amounts through May 1, 2042.

In December 2011, the District issued \$52,250,000 of Wastewater System Revenue Bonds Series 2011B (Series 2011B). These bonds were issued pursuant to the August 2008 authorization; in this case for the purpose of constructing, repairing, replacing, and equipping new and existing District wastewater facilities. These senior bonds have interest rates ranging from 3.0% to 5.0% and are payable in semiannual installments at varying amounts through May 1, 2032.



## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

In January 2010, the District issued \$85,000,000 of Wastewater System Revenue Bonds Series 2010B (Series 2010B). These bonds were issued pursuant to the August 2008 authorization; in this case for the purpose of constructing, repairing, replacing, and equipping new and existing District wastewater facilities. These senior bonds have an interest rate of 5.9% and are payable in semiannual installments at varying amounts through May 1, 2039. As Build America Bonds under The American Recovery and Reinvestment Act of 2009, the District receives a subsidy payment from the Federal government equal to a percentage of the interest paid. In fiscal year 2013, the rate was 35%. On August 6, 2013, the District was notified that the subsidy percentage would be reduced to 32% for the 2013 fall payment and would be reduced to 32.5% after that.

In November 2008, the District issued \$30,000,000 of Wastewater System Revenue Bonds Series 2008A (Series 2008A) from the August 2008 authorization for the purpose of providing funds to finance the capital improvements and replacement program. These senior bonds have interest rates ranging from 5.1% to 5.3% and are payable in semiannual installments at varying amounts through May 1, 2038.

In November 2006, the District authorized and issued \$60,000,000 of Wastewater System Revenue Bonds Series 2006C (Series 2006C) for the purpose of providing funds to finance the initial phase of its capital improvements and replacement program, including constructing, repairing, and replacing new wastewater facilities. These senior bonds have interest rates ranging from 4.1% to 5.0% and are payable in semiannual installments at varying amounts through May 1, 2036.

In May 2004, the District authorized and issued \$175,000,000 of Wastewater System Revenue Bonds Series 2004A (Series 2004A) for the purpose of providing funds to finance the initial phase of its capital improvements and replacement program, including constructing, repairing, and replacing new wastewater facilities. These senior bonds had interest rates ranging from 2.0% to 5.0% and were payable in semiannual installments at varying amounts through May 1, 2034; however, in November 2012, there was a partial refunding of the Series 2004A bonds. As a result of this refunding, Series 2004A bonds are considered to be partially defeased. The original senior bonds had semiannual installments through May 1, 2034 but as a result of the refunding the semiannual installments were through May 1, 2014. The liability related to Series 2004A after May 1, 2014 has been paid. See the explanation for Series 2012B above for further information.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

The revenue bonds do not constitute a legal debt or liability for the District, the State of Missouri, or for any political subdivision thereof and do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Revenue derived from the operations of the Wastewater System is pledged for the retirement of the outstanding Wastewater System Revenue Bonds listed above. Under the provisions of the bond indentures, the District covenants to establish rates for the services of the Wastewater System sufficient to fund operations, maintain reserves, and provide revenues to apply principal and interest on these bonds.

The issuance of the revenue bonds does not obligate the District to levy any form of taxation therefore or to make any appropriation for their payments in any fiscal year. The principal and interest on the bonds are expected to be paid from future wastewater revenues. The scheduled payment of the principal of and interest on the outstanding Series 2006C and 2004A Bonds are guaranteed under a financial guaranty insurance policy.

#### **Water Pollution Control and Drinking Water Revenue Bonds Payable**

In October 2008, the State Environmental Improvement and Energy Resources Authority (the Authority) authorized and issued \$69,435,000 of Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs) Series 2008A/B (Series 2008A/B). The Series 2008A/B bonds provided funds to make loans to 14 Missouri political subdivisions that were used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2008A/B bonds issued by the Authority were used to purchase subordinate Participant Revenue Bonds (Participant Bonds) authorized and issued by the District in the aggregate principal amount of \$40,000,000, the proceeds of which were used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 4.0% to 5.7% and are payable in semiannual installments at varying amounts through January 1, 2029.

In November 2006, the Authority authorized and issued \$22,105,000 of State Revolving Funds Programs Series 2006B (Series 2006B). The Series 2006B bonds provided funds to make loans to 7 Missouri political subdivisions that were used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2006B bonds issued by the Authority were used to purchase Participant Bonds authorized and issued by the District in the aggregate principal amount of \$14,205,000, the proceeds of which were used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 4.0% to 5.0% and are payable in semiannual installments at varying amounts through July 1, 2027.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

In May 2006, the Authority authorized and issued \$87,505,000 of State Revolving Funds Programs Series 2006A (Series 2006A). The Series 2006A bonds provided funds to make loans to 13 Missouri political subdivisions that were used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2006A bonds issued by the Authority were used to purchase subordinate Participant Bonds authorized and issued by the District in the aggregate principal amount of \$42,715,000, the proceeds of which were used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 3.5% to 4.5% and are payable in semiannual installments at varying amounts through July 1, 2026.

In May 2005, the Authority authorized and issued \$53,060,000 of State Revolving Funds Programs Series 2005A (Series 2005A). The Series 2005A bonds provided funds to make loans to 10 Missouri political subdivisions and 1 Missouri non-profit corporation that were used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2005A bonds issued by the Authority were used to purchase subordinate Participant Bonds authorized and issued by the District in the aggregate principal amount of \$6,800,000, the proceeds of which were used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 3.0% to 5.0% and are payable in semiannual installments at varying amounts through July 1, 2026.

In May 2004, the Authority authorized and issued \$179,780,000 of State Revolving Funds Programs Series 2004B (Series 2004B). The Series 2004B bonds provided funds to make loans to 7 Missouri political subdivisions that were used to finance water pollution control projects. A portion of the proceeds of the Series 2004B bonds issued by the Authority were used to purchase subordinate Participant Bonds authorized and issued by the District in the aggregate principal amount of \$161,280,000, the proceeds of which were used to finance the District's 3 water pollution control construction projects outlined in the agreement. The District's Participant Bonds have interest rates ranging from 2.0% to 5.3% and are payable in semiannual installments at varying amounts through January 1, 2027.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

The Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds do not constitute a legal debt or liability for the District, the State of Missouri, or for any political subdivision thereof and do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds and the Series 2009A, 2010A, 2010C, 2011A, and 2013A direct loans (pages 45-49) do not obligate the District to levy any form of taxation therefore or to make any appropriation for their payments in any fiscal year. The principal and interest on the bonds are expected to be paid from future wastewater revenues.

In connection with the District's issuance of the Participant Bonds, which were purchased with the proceeds of the Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds, the District participates in the State Revolving Loan Program established by the Missouri Department of Natural Resources (the DNR). Monies from federal capitalization grants and state matching funds are used to fund a reserve account for each participant.

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits in a bond reserve fund in the District's name an additional 60% of the expenditure amount for the Series 2004B bonds or 70% for the Series 2005A, 2006A, and 2006B bonds or 100% for the Series 2008A/B bonds. Interest earned from this reserve fund can be used by the District to fund interest payments on the bonds.

On the date of each payment of the principal amount of the District's Participant Bonds, the trustee transfers from this reserve account to the master trustee an amount equal to 60% of the principal payment for the Series 2004B bonds or 70% for the Series 2005A, 2006A, and 2006B bonds or 100% for the series 2008A/B bonds. The costs of operation and maintenance of the wastewater treatment and sewerage facilities and the debt service is payable from wastewater revenues.

In accordance with the Series 2004A, 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds, the District's annual net operating revenues from wastewater activities, as defined in the agreement, coupled with investments earnings must be at least 125% of the current portion of principal and interest due on all senior bonds and at least 115% of the current portion of principal and interest due on all bonds. At June 30, 2014 and 2013, the District was in compliance with this covenant.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

#### **Principal and Interest Requirements on Revenue Bonds Payable**

The annual principal and interest requirements to maturity on revenue bonds payable outstanding as of June 30, 2014 are as follows:

Wastewater System Revenue Bonds Payable/ Water Pollution Control and Drinking Water Revenue Bonds Payable			
Years ending June 30,	Principal	Interest	Total
2015	\$ 16,500,000	\$ 38,069,320	\$ 54,569,320
2016	22,860,000	37,686,773	60,546,773
2017	26,140,000	37,045,964	63,185,964
2018	26,685,000	36,261,508	62,946,508
2019	27,475,000	35,551,771	63,026,771
2020-2024	152,370,000	163,716,411	316,086,411
2025-2029	163,275,000	135,379,245	298,654,245
2030-2034	169,245,000	98,711,550	267,956,550
2035-2039	181,595,000	58,929,505	240,524,505
2040-2043	138,585,000	15,020,750	153,605,750
<b>Total</b>	<b>\$ 924,730,000</b>	<b>\$ 656,372,797</b>	<b>\$ 1,581,102,797</b>

#### **Energy Efficiency Leveraged Note Payable**

In April 2004, the DNR loaned \$98,595 to the District. The Energy Efficiency Leveraged Note Payable bore interest at a rate of 3.2% per annum and was payable through August 1, 2013. The purpose of this note was to finance the design, acquisition, installation, and implementation of energy conservation measures. The principal and interest on this note was paid from the energy savings from the projects or avoided costs resulting from the projects. There is no outstanding balance for principal and interest at June 30, 2014.

#### **Energy Efficiency Leveraged Note Payable**

In February 2012, the DNR loaned \$223,793 to the District. The Energy Efficiency Leveraged Note Payable bears interest at a rate of 2.5% per annum and is payable through February 1, 2020. The purpose of this note was to finance the design, acquisition, installation, and implementation of energy conservation measures. As of June 30, 2014, the District completed the specific energy conservation projects and spent \$199,489 of the \$223,793 loan amount. The remaining \$24,203 was returned to the DNR as a principal payment. The principal and interest on this note will be paid from the energy savings from the projects or avoided costs resulting from the projects.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements *(Continued)*

#### **Principal and Interest Requirements on Energy Efficiency Leveraged Note Payable**

The annual principal and interest requirements to maturity on the Energy Efficiency Leveraged Note Payable outstanding as of June 30, 2014 are as follows:

Energy Efficiency Leveraged Note Payable			
<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 15,880	\$ 2,081	\$ 17,961
2016	32,359	3,563	35,922
2017	33,173	2,749	35,922
2018	34,007	1,915	35,922
2019	34,863	1,059	35,922
2020	16,163	202	16,365
<b>Total</b>	<u><u>\$ 166,445</u></u>	<u><u>\$ 11,569</u></u>	<u><u>\$ 178,014</u></u>

#### **State of Missouri Direct Loan Series 2009A**

In October 2009, the DNR loaned \$23,000,000 to the District. The State of Missouri Direct Loan Series 2009A bears interest at a rate of 1.5% per annum and is payable through January 1, 2030. The purpose of this note was to finance the designing, constructing, improving, renovating, repairing, replacing and equipping new and existing sewer facilities within the District. The principal and interest on the bonds are expected to be paid from future wastewater revenues.

#### **Principal and Interest Requirements on State of Missouri Direct Loan Series 2009A**

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits the approved amount in a bond reserve fund. The District repays the bond at an interest rate of 1.5% based on the amount that has been borrowed. All funds have been drawn on this loan.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

The annual principal and interest requirements to maturity on the State of Missouri Direct Loan Series 2009A outstanding as of June 30, 2014 are as follows:

State of Missouri Direct Loan Series 2009A			
Years ending June 30,	Principal	Interest	Total
2015	\$ 1,025,700	\$ 282,268	\$ 1,307,968
2016	1,049,400	267,220	1,316,620
2017	1,073,700	251,811	1,325,511
2018	1,098,500	236,045	1,334,545
2019	1,123,900	219,915	1,343,815
2020-2024	6,021,700	844,253	6,865,953
2025-2029	6,751,100	381,212	7,132,312
2030-2031	1,445,300	15,856	1,461,156
<b>Total</b>	<b>\$ 19,589,300</b>	<b>\$ 2,498,580</b>	<b>\$ 22,087,880</b>

### State of Missouri Direct Loan Series 2010A

In January 2010, the State of Missouri's Direct Loan Program - ARRA issued to the District an amount totaling \$7,980,700 for the construction, improvement, renovation, repair, replacement and equipping of its wastewater system, under the authority of and in full compliance with the District's Charter (Plan). The District's interest rate is 1.5% and is payable in semiannual installments at varying amounts through July 1, 2031.

### Principal and Interest Requirements on State of Missouri Direct Loan Series 2010A

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits the approved amount in a bond reserve fund. The District repays the bond at an interest rate of 1.5% based on the amount that has been borrowed. All funds have been drawn on this loan.

The annual principal and interest requirements to maturity on the State of Missouri Direct Loan Series 2010A outstanding as of June 30, 2014 are as follows:

### State of Missouri Direct Loan Series 2010C

In December 2010, the State of Missouri Direct Loan Program - ARRA issued to the District an amount totaling \$37,000,000 for the purpose of improving, renovating, repairing, replacing and equipping the District's Wastewater System. The principal and interest on the bonds are expected to be paid from future wastewater revenues. The District's interest rate is 1.7% and is payable in semiannual installments at varying amounts through January 1, 2031.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Notes To Financial Statements *(Continued)*

State of Missouri Direct Loan Series 2010A			
Years ending June 30,	Principal	Interest	Total
2015	\$ 351,500	\$ 106,722	\$ 458,222
2016	358,600	101,495	460,095
2017	366,000	96,161	462,161
2018	373,300	90,717	464,017
2019	380,900	85,164	466,064
2020-2024	2,024,100	338,488	2,362,588
2025-2029	2,237,900	181,712	2,419,612
2030 -2032	1,206,200	26,958	1,233,158
<b>Total</b>	<b>\$ 7,298,500</b>	<b>\$ 1,027,417</b>	<b>\$ 8,325,917</b>

#### Principal and Interest Requirements on State of Missouri Direct Loan Series 2010C

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits the approved amount in a bond reserve fund. The District repays the bond at an interest rate of 1.7% based on the amount that has been borrowed. All funds have been drawn on this loan.

The annual principal and interest requirements to maturity on the State of Missouri Direct Loan Series 2010C outstanding as of June 30, 2014 are as follows:

State of Missouri Direct Loan Series 2010C			
Years ending June 30,	Principal	Interest	Total
2015	\$ 1,580,000	\$ 541,700	\$ 2,121,700
2016	1,620,000	515,485	2,135,485
2017	1,663,000	488,582	2,151,582
2018	1,705,000	460,969	2,165,969
2019	1,750,000	432,655	2,182,655
2020-2024	9,455,000	1,711,982	11,166,982
2025-2029	10,748,000	885,052	11,633,052
2030-2031	4,703,000	97,647	4,800,647
<b>Total</b>	<b>\$ 33,224,000</b>	<b>\$ 5,134,072</b>	<b>\$ 38,358,072</b>

#### State of Missouri Direct Loan Series 2011A

In November 2011, the State of Missouri Direct Loan Program - ARRA issued to the District an amount totaling \$39,769,300 for the purpose of improving, renovating, repairing, replacing and equipping the District's Wastewater System. The principal and interest on the bonds are expected to be paid from future wastewater revenues. The District's interest rate is 1.5% and is payable in semiannual installments at varying amounts through January 1, 2034.



## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements *(Continued)*

#### **Principal and Interest Requirements on State of Missouri Direct Loan Series 2011A**

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits the approved amount in a bond reserve fund. The District repays the bond at an interest rate of 1.5% based on the amount that has been borrowed. All funds have been drawn on this loan.

The annual principal and interest requirements to maturity on the State of Missouri Direct Loan Series 2011A outstanding as of June 30, 2014 are as follows:

State of Missouri Direct Loan Series 2011A			
Years ending June 30,	Principal	Interest	Total
2015	\$ 795,000	\$ 604,491	\$ 1,399,491
2016	1,620,000	586,291	2,206,291
2017	1,662,000	561,508	2,223,508
2018	1,704,000	536,086	2,240,086
2019	1,747,000	510,025	2,257,025
2020-2024	9,428,000	2,135,334	11,563,334
2025-2029	10,690,000	1,376,641	12,066,641
2030-2034	12,123,300	516,321	12,639,621
<b>Total</b>	<b>\$ 39,769,300</b>	<b>\$ 6,826,697</b>	<b>\$ 46,595,997</b>

#### **State of Missouri Direct Loan Series 2013A**

In October 2013, the State of Missouri Direct Loan Program - ARRA issued to the District an amount totaling \$52,000,000 for the purpose of improving, renovating, repairing, replacing and equipping the District's Wastewater System. The principal and interest on the bonds are expected to be paid from future wastewater revenues. The District's interest rate is 1.6% and is payable in semiannual installments at varying amounts through July 1, 2034.

In accordance with the Direct Loan Series 2009A, 2010A, 2010C, 2011A, and 2013A, the District's annual net operating revenues from wastewater activities, as defined in the agreement, coupled with investments earnings must be at least 115% of the current portion of principal and interest due on all bonds. At June 30, 2014 and 2013, the District was in compliance with this covenant.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

#### **Principal and Interest Requirements on State of Missouri Direct Loan Series 2013A**

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits the approved amount in a bond reserve fund. The District repays the bond at an interest rate of 1.6% based on the amount that has been borrowed. As of June 30, 2014 the outstanding loan balance was \$16,043,275. The payment requirements to maturity will be determined after the debt is fully issued.

#### **Wastewater System Cash and Investments**

The following accounts have been established in accordance with bond ordinances and financing agreements that require receipts generated from operations be segregated and certain reserve accounts be established:

##### **Revenue Fund**

The Revenue Fund will be used for the purpose of depositing wastewater and storm water operating revenues, providing funds to pay for expenses related to the operation and maintenance of the District, and fulfilling Sinking Fund requirements in accordance with the bond ordinances.

##### **Sinking Fund**

The bond ordinances provide for deposits to and the use of monies in the Sinking Fund to be used for the sole purpose of principal and interest payments on the bonds. Sufficient monies shall be paid in periodic installments from the Revenue Fund.

##### **Debt Service Fund**

The Debt Service Fund shall be used by the Trustee for the sole purpose of paying the principal and interest on the bonds, as and when the same become due.

##### **Debt Service Reserve Fund**

After initial deposit of the amount required pursuant to the bond ordinances and financing agreements of the Series 2004A, 2006C, 2008A, 2010B, 2011B, 2012A, and 2013B bonds, monies in the Debt Service Reserve Fund shall be disbursed and expensed by the District solely for the payment of the principal and interest on the bonds and notes to the extent of any deficiency in the Debt Service Fund for such purpose. The District may disburse and expend monies from the Debt Service Reserve Fund for such purpose immediately. As of June 30, 2014 and 2013, cash and investments in the Debt Service Reserve Fund totaled \$57,168,703 and \$46,962,390, respectively.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

#### **Special Participant Bond Reserve Account**

For the Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds, the District shall deposit into the Special Participant Bond Reserve Account amounts in accordance with the bond ordinance, which shall be disbursed and expensed by the District solely for the payment of the principal and interest on the Participant Bonds to the extent of any deficiency in the Sinking Fund for such purpose. At June 30, 2014 and 2013, cash and investments in the Special Participant Bond Reserve Account held on behalf of the District totaled \$121,443,013 and \$129,456,509, respectively. Monies in this account are not considered to be District funds. However, interest earnings on this account may be used by the District to reduce interest payments on the bonds outstanding.

#### **Renewal and Extension Fund**

All sums accumulated and retained in the Renewal and Extension Fund shall be first used to prevent default in the payment of principal and interest on the bonds when due and shall then be applied by the District for purposes pursuant to the trust indenture. No monies have been deposited into this account at June 30, 2014.

#### **Project Fund**

The Project Fund for all bond issuances outstanding will be used for the purpose of providing monies to pay project costs. The proceeds from the bonds and notes, after a deposit into the Debt Service Reserve Fund for the amounts required pursuant to the bond ordinances and note agreements of Series 2004A, 2006C, 2008A, 2010B, 2011B, 2012A, and 2013B bonds, shall be deposited into the Project Fund. At June 30, 2014 and 2013, cash and investments in the Project Fund totaled \$194,968,331 and \$160,339,298, respectively.

#### **Rebate Fund**

The bond ordinances provide for the creation of a Rebate Fund into which shall be deposited such amounts as are required to be deposited therein pursuant to the arbitrage instructions regarding the calculation and payment of rebate amounts due. The District does not have any rights in or claims to such money; provided, however, any funds remaining in the Rebate Fund after redemption and payment of all bonds and payment of any rebatable arbitrage amount, or provision having been made therefore, shall be remitted to the District. At June 30, 2014 and 2013, cash and investments in the Rebate Fund totaled \$231,909 and \$234,238, respectively.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

#### **Administrative Fee Fund**

The Administrative Fee Fund will be used for the payment of the Trustee's fees and other administrative fees pursuant to the note agreement. The Trustee has the ability to immediately withdraw the fee amounts when due. Monies held in this account shall not be invested.

#### **Fair Value of Financial Instruments**

The value of the District's long-term debt is estimated based on the current rates offered to the District for debt of the same remaining maturities. The carrying amount and estimated fair value of the District's long-term debt as of June 30, 2014 was \$1,040,820,820 and \$1,149,783,801, respectively. The carrying amount and estimated fair value of the District's long-term debt as of June 30, 2013 was \$877,066,658 and \$950,947,897, respectively.

## **7. Pension Plan**

#### **Plan Description**

The Metropolitan St. Louis Sewer District Employees' Pension Plan (the Plan) is a noncontributory single employer defined benefit plan providing retirement benefits as well as death and disability benefits. As a condition of employment, all full-time employees of the District commencing service prior to December 31, 2010, were eligible to be covered by the Plan. As of January 1, 2011 the Plan was frozen to new employees. Instead, new employees of the District may participate in the defined contribution plan. Current employees with less than ten years of service on this date could also voluntarily elect to transfer from the Plan and enter the defined contribution plan.

The District's Board of Trustees, primarily to improve benefits to members, amended the Plan, established on November 1, 1967. A Pension Committee consisting of two members of the District's Board of Trustees, two elected employee members and four members of the District's management staff administer the Plan. A committee of the District's Board of Trustees, with the aid of an investment advisor, reviews and evaluates the Plan's investments and the related rates of return on a periodic basis. The Plan is exempt from the requirements of the Employee Retirement Income Security Act of 1974 and, as such, is not subject to the Act's reporting requirements.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

All benefits vest after five years of credited service. Members retiring at or after age 65 with five or more years credited service are entitled to a pension benefit. The Plan permits early retirement with reduced benefits beginning at age 55 if the member has completed five years of employment. Ordinance No. 10664 provides for unreduced retirement benefits to any member whose combined age and term of service is equal to 75. Effective January 1, 1999, Ordinance No. 10491 amended the Plan benefits formula. The annual benefit payable became 1.7% of final average earnings plus 0.4% of final average earnings that are in excess of covered earnings multiplied by the period of years and months of credited service not to exceed 35 years. Also, the annual reduction for early retirement was revised from 5% to 2% prior to age 60 and from 2.5% to 1% after age 60.

Ordinance No. 10664, effective January 1, 2000, amended the Plan benefits formula to 1.45% of final average earnings plus 0.4% of final average earnings that are in excess of covered earnings multiplied by the period of years and months of credited service not to exceed 35 years. This ordinance also provided for a survivor's benefit for vested members who have not yet reached their normal retirement date or earned 75 points. The survivor's benefit is equal to the greater of 50% of the member's monthly accrued retirement benefit as of the date of death, or 15% of the monthly earnings and the member's monthly accrued retirement benefit actuarially reduced under the 100% joint and survivor annuity option. Members are also able to select a Contingent Annuity Pop-Up option. This option allows the member to elect a survivor annuity for life, with the provision that if the beneficiary should predecease the member, the benefit shall increase to the amount payable had the survivor option not been selected.

Ordinance Number 10872, effective January 1, 2001, further amended the Plan to extend the cost of living increases for retirees from a maximum of 30% to 45% of the original benefit.

Effective August 1, 2004, Ordinance No. 11781 amended the Plan to change the benefit formula to 1.7% of final average earnings plus 0.4% of final average earnings that are in excess of covered earnings multiplied by the period of years and months of credited service not to exceed 35 years without including accrued sick leave. Sick leave is paid out at 1.25% per year of service times the amount of leave accrued. Also, the Plan was amended to provide the retiring member with a 10% partial lump sum payment option. The balance of the distribution will be paid in accordance with any one of the other payment options available under the Plan.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

The retirement benefit payable to a member who retires after the normal retirement date is the greater of a) the benefit that would have been payable on the normal retirement date plus a special annual retirement benefit provided by the accumulated value, at 4% per annum interest, of the monthly benefit that would have been received prior to the postponed retirement date or b) the benefit determined as of the postponed retirement date under the normal formula.

Effective August 27, 2011, Ordinance No. 13288 amended the Plan to include the following: "Upon termination or complete discontinuance of contributions under the Plan, the rights of all Members to benefits accrued to the date of such termination or discontinuance shall be non-forfeitable, to the extent then funded."

Amounts in participants' accounts are distributed upon retirement, death, disability, or termination of employment. The normal form of retirement benefit is either a lump sum payment or equal monthly installments.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing: The Metropolitan St. Louis Sewer District, 2350 Market Street, St. Louis, MO 63103-2555.

### **Funding Policy**

The District's employees do not contribute to the Plan. Ordinances establishing the Plan provide for actuarially determined annual contributions, paid solely by the District, that are sufficient to pay benefits when due. The Entry Age Normal actuarial funding method is used to determine contributions.

### **Annual Pension Cost**

Contributions of \$11,850,000 and \$11,564,228, excluding certain professional fees paid by the District, were made to the Plan during the District's fiscal years ended June 30, 2014 and 2013, respectively. These contributions were made in accordance with actuarially determined contribution requirements based on actuarial valuations performed at December 31, 2013 and 2012, respectively, and for 2013 consisted of a) \$6,062,646 normal cost plus b) \$4,558,601 amortization of the actuarial accrued assets in excess of the unfunded actuarial accrued liability and prior changes c) multiplied by an interest factor of 1.0725.

The District provides certain professional fees, office space, utilities, and other services to the Plan at no cost. Other costs of administering the Plan are financed from plan net assets.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

Significant actuarial assumptions used in the valuations are as follows:

Latest valuation date	December 31, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Amortization period	20-year period
Asset valuation method	Three-year average of adjusted market values
Post-retirement benefit increases	CPI with maximum 3% of current benefit or \$50/month, and benefit increases lifetime maximum 45% in the original benefit or \$750/month
Investment rate of return	7.25% per annum
Projected salary increases	4.5% - 10.0% per annum
Social Security wage base	4.0% per annum increase

Includes inflation component of 2.75%

### Trend Information

Historical trend information about the District's participation in the Plan is presented below to help readers assess the Plan's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2014	\$ 11,850,000	100%	\$ —
2013	11,564,228	100%	—
2012	10,719,154	100%	—

### Funded Status And Funding Progress

As of January 1, 2014, the Plan was 86.1% funded. The actuarial accrued liability for benefits was approximately \$275,657,000, and the actuarial value of assets was approximately \$237,433,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$38,224,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$46,600,000, and the ratio of the UAAL to covered payroll was 82.0%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## **8. Other Pension Plans**

### **Deferred Compensation Plan**

The District offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Deferred Compensation Plan, available to all District employees, permits them to defer a portion of their salary up to Internal Revenue Code limits. The District does not contribute to the Plan. The deferred compensation is not available to employees until termination, retirement, death, disability or due to financial hardship as defined by the Deferred Compensation Plan.

The Deferred Compensation Plan was amended and restated to comply with the Economic Growth and tax Relief Reconciliation Act of 2001 (the Act). The Act made significant changes to Section 457(b) of the Internal Revenue Code of 1986, as previously amended. The Deferred Compensation Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries under Section 1448 of the Small Business Job Protection Act of 1996. As a result, the assets and liabilities of the Deferred Compensation Plan are not included in the accompanying financial statements.

The Deferred Compensation Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing: The Metropolitan St. Louis Sewer District, 2350 Market Street, St. Louis, MO 63103-2555.

### **Defined Contribution Plan**

The Plan is a defined contribution benefit plan established by the District's Board of Trustees through Ordinance 13180 and became effective January 1, 2011. The following employees are eligible to participate in the Plan: (i) employees first hired on or after January 1, 2011, and (ii) employees hired prior to January 1, 2011 who elect to terminate participation in the Pension Plan, effective as of April 1, 2011, in accordance with the provisions of such Pension Plan, and (iii) employees rehired on or after January 1, 2011 who are not eligible to accrue benefits under the Pension Plan. An employee shall become a participant in the Plan on the first day on which he performs an hour of service for the District.

The District's Board of Trustees, primarily to improve benefits to members, amends the Plan in all its respects. A pension committee consisting of two members of the District's Board of Trustees, two elected employee members and four members of the District's management staff administer the Plan. A committee of the District's Board of Trustees, with the aid of an investment advisor, reviews and evaluates the Plan's investments and the related rates of return on a periodic basis.



## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

This Plan is intended to provide a means whereby the District may provide retirement benefits to eligible employees and encourage such employees to establish a regular method of savings, thereby providing a measure of financial security for such employees and their beneficiaries upon retirement or in the event of death or disability.

The Defined Contribution Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing: The Metropolitan St. Louis Sewer District, 2350 Market Street, St. Louis, MO 63103-2555.

**Employer Basic Contributions:** For each payroll period, the District contributes an amount equal to 7% of the covered compensation earned during such period by each participant entitled to an allocation of such contribution.

**Employer Matching Contributions:** For each payroll period, the District contributes an amount equal to 50% of the covered compensation of such participant withheld as an annual deferral (as defined in the Deferred Compensation Plan); provided that, before-tax contributions in excess of 4% of the covered compensation of the participant for the payroll period shall not be considered for purposes of Employer Matching Contributions. Employer Matching Contributions shall be up to the maximum amount of compensation that may be taken into account for the Plan year.

In no event shall the sum of the employer contributions and employee contributions allocated to the account of a participant for the Plan year exceed the lesser of:

- (a) The amount specified in the applicable Internal Revenue Code, as adjusted annually for any applicable increases in the cost of living.
- (b) 100% of the participant's compensation for such year.

The compensation limit referred to in (b) shall not apply to any contribution from medical benefits after separation from service.

The District's contributions to the plan amounted to \$742,851 and \$523,670 for the years ended June 30, 2014 and 2013, respectively.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

Vesting: As of any time before the normal retirement age of a participant, the first day of the month coinciding with or next following a person's sixty-fifth birthday and completion of sixty months of continuous service (other than upon death or permanent disability), the vested percentage of the amounts credited to the participant's employer basic contributions account shall be determined in accordance with the following schedule:

<b>Months Of Continuous Service</b>	<b>Vested(Non-Forfeitable) Percentage</b>
Less than 12	0%
12 but less than 24	20%
24 but less than 36	40%
36 but less than 48	60%
48 but less than 60	80%
60	100%

## 9. Post-Employment Benefits Other Than Pensions

### Plan Description

As part of a total compensation package effective August 1, 2004 for general employees and, with respect for union members, the later of August 1, 2004 or the date of union ratification of a Memorandum of Understanding with respect to this Plan modification, the District provides a single-employer defined benefit health care plan to employees who retire from the District on or after age 62 and with five years of service or whose age plus years of service equal 75 points ("Rule of 75"). The District pays the monthly group health insurance premium for the individual until the retiree becomes eligible for Medicare at age 65. In addition, there is a closed group of disabled former employees who receive life insurance coverage from the District.

Contributions for retirees are as follows:

<b>Coverage Tier</b>	<b>Monthly Premium</b>
Retiree*	\$478.98
Retiree + Spouse	\$1,020.35
Retiree + Child	\$927.09
Family (1 child)	\$1,414.15

\*The District pays the retiree's premium for a retiree who retires after age 62 or after attaining 75 points. Eventually, affected retirees will have to pay up to 10% of the above premium.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45 and in conjunction with Plan benefits currently in force. The actuarial valuations have been determined using estimated data provided by the District in combination with assumptions on the probability of future events, while also keeping an eye on long-term viability. These valuations are subject to continual revision as future actuarial measurements may differ significantly from current measurements due to the realization of new estimates and factors.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities. The District's annual OPEB cost for the current year and the related information are as follows:

Amortization of past service cost	\$ 875,500
Normal cost	1,462,200
Interest to end of fiscal year	<u>87,700</u>
Annual Required Contribution (ARC)	2,425,400
Interest on net OPEB obligation	150,702
Adjustment to ARC	<u>(133,957)</u>
Annual OPEB cost	2,442,145
Contributions made	<u>(1,393,600)</u>
Increase in net OPEB obligation	1,048,545
Net OPEB obligation - beginning of year	<u>4,018,709</u>
Net OPEB obligation - end of year	<u><u>\$ 5,067,254</u></u>

The Plan was established by District Ordinance, which assigned the authority to establish and amend plan benefit provisions to the District.

The contribution requirements of the District and plan members are established and may be amended by the District. The Plan does not issue a publicly available report.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

#### Trend Information

<u>Fiscal Year</u>	<u>Net OPEB Cost</u>	<u>Percentage of Net OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 2,442,145	57.1	\$ 5,067,254
2013	2,132,454	71.0	4,018,709
2012	2,090,556	66.8	3,399,555

As of June 30, 2014, the Plan was not funded. The actuarial accrued liability for benefits as of July 1, 2013, the latest actuarial valuation, was approximately \$26,264,000, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$26,264,000. The covered payroll (annual payroll of active employees covered by the plan) in 2013 was approximately \$60,238,000, and the ratio of the UAAL to covered payroll was 43.6%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents trend information about whether the actuarial accrued liability for benefits is increasing or decreasing over time.

Actuarial funding calculations of the Plan reflect a long-term perspective. The Plan's actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Significant actuarial assumptions used in the valuation are as follows:

Latest valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Discount rate	3.75% per annum
Amortization method	Level percentage of payroll amount, open
Amortization period	30-year period
Inflation rate	2.5%
Investment Rate of Return	3.75% annual returns net of both administrative and investment expenses
Health cost trend assumption	Getzen Trend Model – 6.9% graded to 4.5% over 70 years

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Notes To Financial Statements (*Continued*)

#### Medical Trend:

<u>Year</u>	<u>Medical</u>	<u>Year</u>	<u>Medical</u>
2013	6.9%	2040	6.1%
2014	5.7	2045	5.8
2015	5.4	2050	5.7
2016	5.4	2055	5.5
2017	5.6	2060	5.4
2018	5.5	2065	5.3
2020	5.5	2070	5.2
2025	5.5	2075	5.0
2030	6.5	2080	4.7
2035	6.7	2083+	4.5

The healthcare trends used in this valuation are based on long term healthcare trends generated by the Getzen Trend Model (the Model). The Model is the result of research sponsored by the Society of Actuaries and completed by a committee of economists and actuaries. This model is the current industry standard for projecting long term medical trends. Inputs to the model are consistent with the assumptions used in deriving the discount rate used in the valuation.

Payroll inflation  
Mortality

3.75% per annum  
RP 2000 Mortality Table (employee and healthy annuitant tables).

#### Termination Of Employment:

<u>Select Rates</u> <u>(0 to 4 years of service)</u>		<u>Ultimate Rates</u> <u>(after 4 years of service)</u>	
<u>Years Of</u> <u>Service</u>	<u>Rate</u>	<u>Attained</u> <u>Age</u>	<u>Rate</u>
0	20.0%	20	5.5%
1	12.0	30	3.7
2	7.5	40	1.1
		50+	0.0

Select rates based on service.

Ultimate rates based on attained age.

Ultimate rates are from the Sarason T-1 Table above.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Notes To Financial Statements *(Continued)*

Retirement - Rates Vary By Age		
Age	Before 75 Points	After 75 Points
55	1.0%	10.0%
56	2.0	10.0
57	2.0	10.0
58	2.0	10.0
59	3.0	10.0
60	4.0	15.0
61	5.0	15.0
62	20.0	35.0
63	10.0	25.0
64	20.0	25.0
65	100.0	100.0

Disability	
Age	Percent Becoming Disabled
20	0.056%
30	0.064
40	0.102
50	0.311

Future Retiree Coverage: 90.0% of eligible employees retiring prior to age 65 are assumed to elect medical coverage

Future Dependent Care: 25.0% elect spouse coverage 0.0% dependent children coverage

## 10. Self-Insurance Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a risk management program and retains the risk related to its obligation to provide workers' compensation and medical and hospitalization benefits to its employees; and to pay water backup claims to its customers. The estimated liabilities for payment of incurred (both reported and unreported) but unpaid claims relating to these matters are included as a component of current deposits and accrued expenses, and as such are expected to be paid within one year of the date of the statement of net assets. At June 30, 2014 and 2013, these liabilities amounted to \$2,923,884 and \$3,041,045, respectively.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (*Continued*)

The claims liabilities reported are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Changes in the balance of claims liabilities during fiscal 2014 and 2013 were as follows:

	2014	2013
Liability, beginning of year	\$ 3,041,045	\$ 2,575,977
Current year claims and changes in estimates	12,455,966	12,547,715
Claim payments	(12,573,127)	(12,082,647)
Liability, end of year	<u>\$ 2,923,884</u>	<u>\$ 3,041,045</u>

The District obtains periodic funding valuations from the third-party administrators managing the self-insurance programs and adjusts the charges as required to maintain the appropriate level of estimated claims liability. The District also maintains excess liability insurance coverage for workers' compensation and medical and hospitalization claims; general liability; and water backup damage to customers' property.

The District purchases commercial insurance for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

## 11. Closure And Post-Closure Care Costs

State and federal laws and regulations require the District to place a final cover on its Prospect Hill Reclamation Project landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of the end of the fiscal year. The \$756,936 and \$735,800 reported as landfill closure and post-closure care liabilities at June 30, 2014 and 2013, respectively, represent the cumulative amounts reported at fiscal year-end based on the use of 94.7% and 92.1% of the estimated capacity of the landfill for fiscal years ended 2014 and 2013, respectively. The District will recognize the remaining estimated cost of closure and post-closure care of \$42,273 at June 30, 2016 as the facility nears capacity. These amounts are based on what it would cost to perform all closure and post-closure care in 2014.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

The District is required to demonstrate that it has the financial capability to close the landfill to the State of Missouri through the use of a financial test as specified in 10 CSR 80-2.030(4)(D)6 of the Missouri Solid Waste Management Rules. The District has complied with the State's requirement. The District recognizes that estimates of closure costs may change as a result of inflation, deflation, and/or changes in technology and applicable laws and regulations. If closure cost estimates change, the liability currently reported on the Statement of Net Position will be adjusted accordingly.

## **12. Commitments And Contingencies**

### **United States And State Of Missouri V. Metropolitan St. Louis Sewer District; In The United States District Court For The Eastern District Of Missouri; Case No. 07-1120.**

A lawsuit was filed by the Department of Justice on behalf of the United States Environmental Protection Agency ("EPA") for various alleged violations of the Clean Water Act. The suit is based on violations of the Clean Water Act as a result of overflows in the combined and sanitary sewer systems causing pollutants to reach waters of the United States. There are other counts involving violations of permit conditions. The District has been the subject of several investigatory actions by EPA over the past several years. Negotiations have been ongoing with the EPA and the Missouri Department of Natural Resources ("MDNR") regarding the sewer collection system, both the combined system and the sanitary system, for several years. The Missouri Coalition for the Environment ("MCE") gave Notice of Intent to Sue the District under the citizen suit provisions of the Clean Water Act. EPA and the DNR then brought the suit in June 2007, and MCE moved to intervene. Intervention was granted in August 2007. In October 2007, the Court granted the District's motion to dismiss all of the plaintiffs' claims for civil penalties attributable to any and all of the District's alleged violations of the Clean Water Act that occurred before June 11, 2002. Also, the suit alleges that the District does not have an approved Long-Term Control Program ("LTCP") for the combined system. The District has been working on these issues for several decades and has asked voters to approve bonds and rate increases to rehabilitate and maintain the collection system. As required by its Charter, the District has increased rates which will continue to fund the improvements sought by the EPA and the DNR. In September 2008, the Judge put in place a Stay while the parties mediated the issues. Pursuant to MSD Ordinance No. 13277, MSD executed the Consent Decree ("CD") on July 15, 2011. The CD was lodged with the court on August 4, 2011. An extended public comment period ended October 10, 2011.



## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

On April 27, 2012, the Court approved and entered the decree, thus concluding the litigation of this lawsuit. Although this litigation matter has concluded, MSD continues to work diligently to implement the CD.

The CD requires the District to spend approximately \$4.7 billion, in 2010 dollars, over a 23-year implementation period. Throughout this period improvements will be made to the District's separate sewer system, combined sewer system, and wastewater treatment plants. The District continues to comply with the CD. On June 1, 2011, the State of Missouri approved Chapter 11, Chapter 12, and Appendix Q of the District's Combined Sewer Overflow Long-Term Control Plan Updated Report, dated February 2011.

#### **Flooding Cases**

The District was originally a defendant in five (5) different flooding cases related to the September 14, 2008, rain event precipitating from remnants of Hurricane Ike. These cases consisted of three (3) property damage cases and two (2) wrongful death cases. The defense costs associated with these cases has been covered by the District's insurance carrier, with a reservation of rights. Of the five (5) cases, one (1) involves flooding of Maline Creek and the others involve flooding of the River Des Peres. Of the five (5) original cases, only one (1) case remains open. The remaining case is a property damage case. Two (2) of the four (4) cases resolved were voluntarily dismissed by the plaintiffs, another case was a property damage case which settled, and the wrongful death case settled prior to trial. In addition to the above discussed flooding cases, on September 13, 2013, five (5) new property damage cases were filed against the District. These cases have yet to be served on the District.

#### **Contingencies**

The District has entered into construction and other contracts amounting to \$247,737,650 and \$213,088,826 at June 30, 2014 and 2013, respectively. Grants to be received from various governmental agencies and entities to partially offset the cost of the contract commitments amounted to \$726,856 and \$5,658 at June 30, 2014 and 2013, respectively. The District had \$518,000,000 and \$720,000,000 in revenue bonds authorized by the voters as of June 30, 2014 and 2013, respectively, but unissued. These funds were sought to enable the District to comply with federal and state clean water requirements.

The District is a defendant in various other matters of litigation. Of these matters, management and District's legal counsel do not anticipate any material effect on the June 30, 2014 and 2013 financial statements.

### **13. Restricted Net Position**

The Statements of Net Position report \$142,764,156 and \$111,066,007 of restricted net position at June 30, 2014 and 2013, respectively, of which \$70,920,910 and \$63,925,875 are restricted due to enabling legislation, as of June 30, 2014 and 2013, respectively.

### **14. Segment Information**

The District issued wastewater revenue bonds to finance wastewater infrastructure projects. The District accounts for both wastewater and stormwater activities in a single enterprise fund, but investors in those bonds rely solely on the revenue generated by the wastewater activities for repayment. Fiscal year 2014 and 2013 summary financial information for each business segment is presented below.

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Please refer to the Reclassifications section of Footnote 1 for specific details.

The reclassification presented in the 2013 segment financial statements is as follows:

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

Old Presentation of FY 2013				New Presentation of FY 2013			
	Wastewater	Stormwater	Total		Wastewater	Stormwater	Total
Current Assets:				Current Assets:			
Unrestricted Current Assets:				Unrestricted Current Assets:			
Cash and cash equivalents	\$ 83,202,960	\$ 1,197,764	\$ 84,400,724	Cash and cash equivalents	\$ 83,202,960	\$ 8,130,796	\$ 91,333,756
Investments	66,140,653	1,049,985	67,190,638	Investments	66,140,653	2,834,955	68,975,608
Accrued income on investments	807,632	—	807,632	Accrued income on investments	807,632	23,274	830,906
	<u>150,151,245</u>	<u>2,247,749</u>	<u>152,398,994</u>		<u>150,151,245</u>	<u>10,989,025</u>	<u>161,140,270</u>
Restricted Current Assets:				Restricted Current Assets:			
Cash and cash equivalents	69,449,837	—	69,449,837	Cash and cash equivalents	—	3,652,344	3,652,344
Investments	79,625,995	—	79,625,995	Investments	—	3,201,720	3,201,720
	<u>149,075,832</u>	<u>—</u>	<u>149,075,832</u>		<u>—</u>	<u>6,854,064</u>	<u>6,854,064</u>
Non-current Assets:				Non-current Assets:			
Restricted Assets:				Restricted Assets:			
Cash and cash equivalents	3,157,962	24,746,082	27,904,044	Cash and cash equivalents	72,607,799	14,160,706	86,768,505
Investments	5,540,709	17,400,220	22,940,929	Investments	85,166,704	12,413,530	97,580,234
Long-term investments	59,910,456	23,350,911	83,261,367	Long-term investments	59,910,456	20,955,501	80,865,957
Accrued income on investments	116,818	85,231	202,049	Accrued income on investments	116,818	61,957	178,775
	<u>68,725,945</u>	<u>65,582,444</u>	<u>134,308,389</u>		<u>217,801,777</u>	<u>47,591,694</u>	<u>265,393,471</u>
Other Assets				Other Assets			
Long-term investments	88,892,758	1,409,068	90,301,826	Long-term investments	88,892,758	3,804,478	92,697,236
Current Liabilities:				Current Liabilities:			
Contracts and accounts payable	27,238,153	183,231	27,421,384	Contracts and accounts payable	27,415,729	4,842,983	32,258,712
Current Liabilities				Current Liabilities			
Payable From Restricted Assets:				Payable From Restricted Assets:			
Contracts and accounts payable	—	5,342,074	5,342,074	Contracts and accounts payable	—	504,746	504,746
Grand Total	<u>\$ 429,607,627</u>	<u>\$ 63,713,956</u>	<u>\$ 493,321,583</u>	Grand Total	<u>\$ 429,430,051</u>	<u>\$ 63,891,532</u>	<u>\$ 493,321,583</u>
Net Position:				Net Position:			
Restricted for:				Restricted for:			
Subdistrict construction and improvement	\$ 9,449,946	\$ 60,775,287	\$ 70,225,233	Subdistrict construction and improvement	\$ 9,449,946	\$ 54,475,929	\$ 63,925,875
Unrestricted	239,094,779	5,905,782	245,000,561	Unrestricted	238,744,940	12,554,979	251,299,919
Grand Total	<u>\$ 248,544,725</u>	<u>\$ 66,681,069</u>	<u>\$ 315,225,794</u>	Grand Total	<u>\$ 248,194,886</u>	<u>\$ 67,030,908</u>	<u>\$ 315,225,794</u>

The District has restated fiscal year 2013 due to changes mandated by GASB 65. Please refer to the Adoption of New Accounting Standards section of Note 1 for specific details.

The restatement, related to GASB 65, presented in the 2013 segment financial statements impacts solely the wastewater segment and is as follows:

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

Old Presentation of FY 2013		New Presentation of FY 2013	
	<u>Wastewater</u>		<u>Wastewater</u>
Deferred Outflow of Resources:		Deferred Outflow of Resources:	
Bonds and notes payable-deferred loss	\$ —	Bonds and notes payable-deferred loss	\$ 10,617,604
Total Deferred Outflow of Resources	—	Total Deferred Outflow of Resources	10,617,604
 Non-current Liabilities:		 Non-current Liabilities:	
Bonds and notes payable, net of cost of issuance	<u>913,883,345</u>	Bonds and notes payable	<u>933,639,841</u>
	<u>913,883,345</u>		933,639,841
 Grand Total	 <u>\$ 913,883,345</u>	 Grand Total	 <u>\$ 923,022,237</u>
		 Total Change	 <u>\$ 9,138,892</u>
 Non-operating Expenses:		 Non-operating Expenses:	
Interest expense	<u>\$ 20,314,841</u>	Interest expense	<u>\$ 21,062,474</u>
		 Fiscal 2013 change	
		Amortization reversed	\$ (471,995)
		Cost of issuance	3,447,827
		Refunded cost of issuance	<u>(2,228,199)</u>
		Total fiscal 2013 change	<u>747,633</u>
		 Prior year adjustments	 <u>8,391,259</u>
		 Total Change	 <u>\$ 9,138,892</u>

In addition to the restatements identified above, there were two restatements between Wastewater and Stormwater Segments. Both the sewer service charges (SSC) receivable and contracts and accounts payable (A/P) for fiscal year 2013 and the sewer service charge prepaid balance recorded to contracts and accounts payable (A/P) and fiscal year 2013 Net Position - Beginning of Year (BOY) have been restated due to a variation in segmenting procedures. These restatements have no impact on the enterprise wide statements.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (*Continued*)

Old Presentation of FY 2013				New Presentation of FY 2013			
	Wastewater	Stormwater	Total		Wastewater	Stormwater	Total
Current Assets:				Current Assets:			
Unrestricted Current Assets:				Unrestricted Current Assets:			
SSC receivable	\$ 34,207,405	\$ —	\$ 34,207,405	SSC receivable	\$ 34,035,142	\$ 172,263	\$ 34,207,405
Current Liabilities:				Current Liabilities:			
Contracts and A/P	\$ 27,238,153	\$ 183,231	\$ 27,421,384	Contracts and A/P	\$ 27,415,729	\$ 5,655	\$ 27,421,384
				Reclass of Contracts and A/P from Restricted to Unrestricted	—	4,837,328	4,837,328
				Grand Total	\$ 27,415,729	\$ 4,842,983	\$ 32,258,712
Net Position - BOY	\$ 1,684,354,820	\$ 533,939,521	\$ 2,218,294,341	Net Position - BOY	\$ 1,675,613,722	\$ 534,289,360	\$ 2,209,903,082
				COI Prior period adjustments also included in New Presentation of FY 2013 Net Position - BOY	8,391,259	-	8,391,259
				Effect of segment restatement	349,839	(349,839)	-
				Old Presentation of FY 2013 Net Position - BOY	\$ 1,684,354,820	\$ 533,939,521	\$ 2,218,294,341

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specifically identifiable revenue stream pledged in support of the revenue bonds and has related expenses, gains and losses and assets and liabilities that are required by external parties to be accounted for separately. The wastewater system is the only reportable segment that meets the requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The stormwater system is reported on for informational purposes only.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

Financial information as of and for the years ended June 30, 2014 and 2013 of the District's Wastewater Segment is as follows:

### WASTEWATER SEGMENT STATEMENTS OF NET POSITION

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Assets</b>		
<b>Current Assets</b>		
<b>Unrestricted Current Assets</b>		
Cash and cash equivalents	\$ 91,820,149	\$ 83,202,960
Investments	100,878,371	66,140,653
Sewer service charges receivable, less allowance of \$3,972,449 in 2014 and \$3,799,414 in 2013	46,390,489	34,035,142
Unbilled sewer service charges receivable, less allowance of \$402,335 in 2014 and \$349,448 in 2013	20,116,744	17,472,360
Accrued income on investments	746,795	807,632
Other receivables	1,057,452	964,595
Supplies inventory	6,223,099	6,621,892
<b>Total Unrestricted Current Assets</b>	<b>267,233,099</b>	<b>209,245,234</b>
<b>Non-Current Assets</b>		
<b>Restricted Assets</b>		
Cash and cash equivalents	62,585,347	72,607,799
Investments	162,975,839	85,166,704
Long-term investments	48,391,812	59,910,456
Property taxes receivable, less allowance of \$13,382 in 2014 and \$13,382 in 2013	26,294	9,667
Accrued income on investments	259,601	116,818
<b>Total Restricted Non-Current Assets</b>	<b>274,238,893</b>	<b>217,811,444</b>
<b>Other Assets</b>		
Notes receivable	14,116,801	14,640,552
Long-term investments	70,161,237	88,892,758
<b>Total other assets</b>	<b>84,278,038</b>	<b>103,533,310</b>
<b>Capital Assets</b>		
Depreciable:		
Treatment and disposal plant and equipment	1,184,278,860	1,027,055,525
Collection and pumping plant	1,678,492,307	1,623,517,635
General plant and equipment	77,101,471	75,880,114
	<b>2,939,872,638</b>	<b>2,726,453,274</b>
Less: Accumulated depreciation	986,568,052	936,679,376
Net depreciable assets	<b>1,953,304,586</b>	<b>1,789,773,898</b>
Non-depreciable:		
Land	49,317,549	44,433,883
Construction in progress	291,894,365	352,895,060
<b>Net capital assets</b>	<b>2,294,516,500</b>	<b>2,187,102,841</b>
<b>Total Non-Current Assets</b>	<b>2,653,033,431</b>	<b>2,508,447,595</b>
<b>Total Assets</b>	<b>2,920,266,530</b>	<b>2,717,692,829</b>
<b>Deferred Outflow of Resources</b>		
Bonds and Notes Payable-Deferred Loss on Refunding	10,108,350	10,617,604
<b>Total Deferred Outflow of Resources</b>	<b>10,108,350</b>	<b>10,617,604</b>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

	Ended June 30,	
	2014	2013 (As Restated)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Contracts and accounts payable	\$ 30,764,638	\$ 27,415,729
Deposits and accrued expenses	33,336,518	27,268,022
Retainage payable	9,566,082	9,746,267
Current portion of bonds and notes payable	20,268,080	19,435,714
	<u>93,935,318</u>	<u>83,865,732</u>
<b>Current Liabilities-Payable From Restricted Assets</b>		
Contracts and accounts payable	273,006	—
Retainage payable	131,941	83,296
	<u>404,947</u>	<u>83,296</u>
<b>Total Current Liabilities</b>	<u>94,340,265</u>	<u>83,949,028</u>
<b>Non-Current Liabilities</b>		
Deposits and accrued expenses	11,811,608	10,398,107
Bonds and notes payable	<u>1,102,827,585</u>	<u>933,639,841</u>
<b>Total Non-Current Liabilities</b>	<u>1,114,639,193</u>	<u>944,037,948</u>
<b>Total Liabilities</b>	<u>1,208,979,458</u>	<u>1,027,986,976</u>
<b>Net Position</b>		
Net investment in capital assets	1,376,497,525	1,404,988,440
Restricted for:		
Debt service	71,843,246	47,140,132
Subdistrict construction and improvement	6,027,838	9,449,946
Unrestricted	<u>267,026,813</u>	<u>238,744,939</u>
<b>Total Net Position</b>	<u>\$ 1,721,395,422</u>	<u>\$ 1,700,323,457</u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (*Continued*)

### WASTEWATER SEGMENT STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Operating Revenues</b>		
Sewer service charges	\$ 248,762,503	\$ 237,296,436
Recovery of (Provision for) doubtful sewer service charge accounts	7,230,389	(2,636,455)
Licenses, permits, and other fees	6,562,607	2,731,497
Other	1,866,902	3,206,237
<b>Total Operating Revenues</b>	<b>264,422,401</b>	<b>240,597,715</b>
<b>Operating Expenses</b>		
Pumping and treatment	54,125,550	54,526,256
Collection system maintenance	32,721,633	31,094,470
Engineering	5,569,007	5,391,136
General and administrative	45,661,041	41,485,255
Water backup claims	2,713,168	3,503,220
Depreciation	63,757,854	59,688,021
Asset management	12,431,515	10,372,082
<b>Total Operating Expenses</b>	<b>216,979,768</b>	<b>206,060,440</b>
<b>Operating Income</b>	<b>47,442,633</b>	<b>34,537,275</b>
<b>Non-Operating Revenues</b>		
Property taxes levied by the District	16,629	49,236
Investment income	2,670,333	956,664
Rent and other income	302,506	293,159
<b>Total Non-Operating Revenues</b>	<b>2,989,468</b>	<b>1,299,059</b>
<b>Non-Operating Expenses</b>		
Net loss on disposal and sale of capital assets	5,203,319	270,109
Non-recurring projects and studies	2,115,233	2,521,722
Interest expense	25,661,127	21,062,474
<b>Total Non-Operating Expenses</b>	<b>32,979,679</b>	<b>23,854,305</b>
<b>Income Before Capital Grants And Contributions</b>	<b>17,452,422</b>	<b>11,982,029</b>
<b>Capital Grants And Contributions</b>		
Utility plant contributed	3,390,795	12,727,706
Grant revenue	228,748	—
<b>Total Capital Grants And Contributions</b>	<b>3,619,543</b>	<b>12,727,706</b>
<b>Change In Net Position</b>	<b>21,071,965</b>	<b>24,709,735</b>
<b>Net Position - Beginning Of Year, As Previously Stated</b>	<b>1,700,323,457</b>	<b>1,684,354,820</b>
<b>Effect of Adoption of GASB 65</b>	<b>—</b>	<b>(8,391,259)</b>
<b>Effect of Segment Restatement</b>	<b>—</b>	<b>(349,839)</b>
<b>Net Position - Beginning Of Year, As Restated</b>	<b>1,700,323,457</b>	<b>1,675,613,722</b>
<b>Net Position - End Of Year</b>	<b>\$ 1,721,395,422</b>	<b>\$ 1,700,323,457</b>



# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

### WASTEWATER SEGMENT STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 249,853,960	\$ 240,618,941
Paid to employees for services	(91,425,385)	(92,818,922)
Paid to suppliers for goods and services	(60,318,262)	(51,457,724)
<b>Net Cash Provided By Operating Activities</b>	<b>98,110,313</b>	<b>96,342,295</b>
<b>Cash Flows Provided By Non-Capital Financing Activities</b>		
Taxes levied and collected	—	39,569
<b>Cash Flows From Capital And Related Financing Activities</b>		
Proceeds from capital grants	233,450	455
Proceeds from issuance of debt	173,411,628	257,888,292
Premium and (discounts) on sale of bonds	9,937,121	35,097,262
Interest received on bond proceeds to be used for capital improvements	348,476	250,753
Principal paid on debt	(10,071,556)	(21,857,996)
Interest and fees paid on debt	(37,522,184)	(35,117,398)
Payments for capital assets	(158,323,507)	(151,321,500)
Proceeds from sale of capital assets	273,138	225,258
Build America bond tax credit	1,603,658	1,742,160
<b>Net Cash Provided By (Used In) Capital And Related Financing Activities</b>	<b>(20,109,776)</b>	<b>86,907,286</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(544,430,180)	(611,440,175)
Proceeds from sale and maturity of investments	460,116,950	451,665,623
Investment income	4,604,924	4,636,501
Proceeds from rents	302,506	293,159
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(79,405,800)</b>	<b>(154,844,892)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(1,405,263)</b>	<b>28,444,258</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b>155,810,759</b>	<b>127,366,501</b>
<b>Cash And Cash Equivalents At End Of Year</b>	<b>\$ 154,405,496</b>	<b>\$ 155,810,759</b>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

Financial information as of and for the years ended June 30, 2014 and 2013 of the District's Stormwater Segment is as follows:

### STORMWATER SEGMENT STATEMENTS OF NET POSITION

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Assets</b>		
<b>Current Assets</b>		
<b>Unrestricted Current Assets</b>		
Cash and cash equivalents	\$ 3,217,637	\$ 8,130,796
Investments	4,222,504	2,834,955
Sewer service charges receivable, less allowance of \$19,140 in 2014 and \$20,377 in 2013	173,238	172,263
Unbilled sewer service charges receivable, less allowance of \$2,303 in 2014 and \$2,197 in 2013	115,168	109,873
Property taxes receivable, less allowance of \$515,097 in 2014 and \$590,868 in 2013	2,136,300	2,325,743
Accrued income on investments	9,589	23,274
<b>Total Unrestricted Current Assets</b>	<u>9,874,436</u>	<u>13,596,904</u>
<b>Restricted Current Assets</b>		
Cash and cash equivalents	6,086,299	3,652,344
Investments	7,568,587	3,201,720
<b>Total Restricted Current Assets</b>	<u>13,654,886</u>	<u>6,854,064</u>
<b>Total Current Assets</b>	<u>23,529,322</u>	<u>20,450,968</u>
<b>Non-Current Assets</b>		
<b>Restricted Assets</b>		
Cash and cash equivalents	15,293,349	14,160,706
Investments	18,185,406	12,413,530
Long-term investments	17,712,322	20,955,501
Property taxes receivable, less allowance of \$610,610 in 2014 and \$347,278 in 2013	822,066	666,955
Accrued income on investments	49,539	61,957
<b>Total Restricted Non-Current Assets</b>	<u>52,062,682</u>	<u>48,258,649</u>
<b>Other Assets</b>		
Long-term investments	2,924,238	3,804,478
<b>Total other assets</b>	<u>2,924,238</u>	<u>3,804,478</u>
<b>Capital Assets</b>		
Depreciable:		
Collection and pumping plant	607,616,163	602,738,600
General plant and equipment	16,499,177	16,296,534
	<u>624,115,340</u>	<u>619,035,134</u>
Less: Accumulated depreciation	169,489,419	159,586,760
Net depreciable assets	<u>454,625,921</u>	<u>459,448,374</u>
Non-depreciable:		
Land	6,220,267	5,642,761
Construction in progress	8,050,557	7,612,460
<b>Net capital assets</b>	<u>468,896,745</u>	<u>472,703,595</u>
<b>Total Non-Current Assets</b>	<u>523,883,665</u>	<u>524,766,722</u>
<b>Total Assets</b>	<u>547,412,987</u>	<u>545,217,690</u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

### STORMWATER SEGMENT STATEMENTS OF NET POSITION *(Continued)*

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Contracts and accounts payable	\$ 31,118	\$ 4,842,983
Retainage payable	—	3,420
	<u>31,118</u>	<u>4,846,403</u>
<b>Current Liabilities-Payable From Restricted Assets</b>		
Contracts and accounts payable	742,374	504,746
Retainage payable	82,122	132,038
	<u>824,496</u>	<u>636,784</u>
<b>Total Current Liabilities</b>	<u>855,614</u>	<u>5,483,187</u>
<b>Net Position</b>		
Net investment in capital assets	468,896,745	472,703,595
Restricted for:		
Subdistrict construction and improvement	64,893,072	54,475,929
Unrestricted	<u>12,767,556</u>	<u>12,554,979</u>
<b>Total Net Position</b>	<u>\$ 546,557,373</u>	<u>\$ 539,734,503</u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

### STORMWATER SEGMENT STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Operating Revenues</b>		
Sewer service charges	\$ 1,370,519	\$ 1,338,273
Recovery of (Provision for) doubtful sewer service charge accounts	(20,067)	(18,189)
Other	—	28,538
<b>Total Operating Revenues</b>	<b>1,350,452</b>	<b>1,348,622</b>
<b>Operating Expenses</b>		
Collection system maintenance	7,266,178	6,782,462
Engineering	6,615,000	6,628,530
Depreciation	10,329,353	10,341,819
Asset management	107,336	345,183
<b>Total Operating Expenses</b>	<b>24,317,867</b>	<b>24,097,994</b>
<b>Operating Income (Loss)</b>	<b>(22,967,415)</b>	<b>(22,749,372)</b>
<b>Non-Operating Revenues</b>		
Property taxes levied by the District	27,433,690	25,966,899
Investment income	296,216	100,302
<b>Total Non-Operating Revenues</b>	<b>27,729,906</b>	<b>26,067,201</b>
<b>Non-Operating Expenses</b>		
Net loss on disposal and sale of capital assets	45,124	525,418
Non-recurring projects and studies	1,377,434	2,154,481
<b>Total Non-Operating Expenses</b>	<b>1,422,558</b>	<b>2,679,899</b>
<b>Income (Loss) Before Capital Grants And Contributions</b>	<b>3,339,933</b>	<b>637,930</b>
<b>Capital Grants And Contributions</b>		
Utility plant contributed	3,482,937	4,783,029
Grant revenue	—	24,184
<b>Total Capital Grants And Contributions</b>	<b>3,482,937</b>	<b>4,807,213</b>
<b>Change In Net Position</b>	<b>6,822,870</b>	<b>5,445,143</b>
<b>Net Position - Beginning Of Year, As Previously Stated</b>	<b>539,734,503</b>	<b>533,939,521</b>
<b>Effect of Segment Restatement</b>	<b>—</b>	<b>349,839</b>
<b>Net Position - Beginning Of Year, As Restated</b>	<b>539,734,503</b>	<b>534,289,360</b>
<b>Net Position - End Of Year</b>	<b>\$ 546,557,373</b>	<b>\$ 539,734,503</b>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements *(Continued)*

### STORMWATER SEGMENT STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2014	2013 (As Restated)
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 1,344,177	\$ 1,722,431
Paid to suppliers for goods and services	(17,590,886)	(13,183,062)
<b>Net Cash Provided By Operating Activities</b>	<b>(16,246,709)</b>	<b>(11,460,631)</b>
<b>Cash Flows Provided By Non-Capital Financing Activities</b>		
Taxes levied and collected	27,468,024	22,974,201
<b>Cash Flows From Capital And Related Financing Activities</b>		
Proceeds from capital grants	—	24,184
Payments for capital assets	(5,559,226)	(3,526,362)
Proceeds from sale of capital assets	71,901	43,815
<b>Net Cash Provided By (Used In) Capital And Related Financing Activities</b>	<b>(5,487,325)</b>	<b>(3,458,363)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(82,687,573)	(59,591,279)
Proceeds from sale and maturity of investments	75,235,093	45,648,517
Investment income	371,929	378,128
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(7,080,551)</b>	<b>(13,564,634)</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(1,346,561)</b>	<b>(5,509,427)</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b>25,943,846</b>	<b>31,453,273</b>
<b>Cash And Cash Equivalents At End Of Year</b>	<b>\$ 24,597,285</b>	<b>\$ 25,943,846</b>

## 15. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 17, 2014, the date the financial statements were available to be issued.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION EMPLOYEES' PENSION PLAN AND POST-EMPLOYMENT BENEFIT PLAN June 30, 2014

### Employees' Pension Plan Schedule of Funding Progress In (000s)

Actuarial Valuation Date	Actuarial Value Of Assets (1)	Entry Age Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll (3)	UAAL As A Percentage Of Covered Payroll (1)-(2)/(3)
12/31/2013	\$ 237,433	\$ 275,657	(38,224)	86.1	\$ 46,600	82.0 %
12/31/2012	221,144	266,371	(45,227)	83.0	48,333	93.6
12/31/2011	205,792	254,997	(49,205)	80.7	49,432	99.5
12/31/2010	189,012	231,599	(42,587)	81.6	51,703	82.4
12/31/2009	185,753	223,063	(37,310)	83.3	52,267	71.4
12/31/2008	183,679	212,066	(28,387)	86.6	48,077	59.0

### Post-Employment Benefit Plan Schedule of Funding Progress In (000s)

Actuarial Valuation Date	Actuarial Value Of Assets (1)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Covered Payroll (3)	UAAL As A Percentage Of Covered Payroll (1)-(2)/(3)
7/1/2013	\$ —	\$ 26,264	\$ 26,264	0%	\$ 60,238	43.6 %
7/1/2011	—	24,103	24,103	0%	52,649	45.8
7/1/2009	—	24,412	24,412	0%	50,230	48.6
7/1/2007	—	21,938	21,938	0%	43,640	50.3

## **The Metropolitan St. Louis Sewer District Statistical Section**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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#### **Revenue Capacity**

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#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. .... 88 - 91

#### **Demographic And Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. .... 92 - 93

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the City provides and the activities it performs ..... 94 - 95

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (000's)

		Fiscal Year				
		2005	2006	2007	2008	2009
<u>Net Position</u>						
Net investment in						
capital assets	\$	1,618,219	\$ 1,651,792	\$ 1,682,063	\$ 1,704,322	\$ 1,798,914
Restricted		47,584	66,973	85,447	97,422	94,769
Unrestricted		190,971	247,958	278,803	324,218	293,934
Total Net Position	\$	<u>1,856,774</u>	<u>\$ 1,966,723</u>	<u>\$ 2,046,313</u>	<u>\$ 2,125,963</u>	<u>\$ 2,187,617</u>

		Fiscal Year				
		2010	2011	2012	2013	2014
<u>Net Position</u>						
Net investment in						
capital assets	\$	1,868,974	\$ 1,915,233	\$ 1,928,200	\$ 1,877,692	\$ 1,845,394
Restricted		80,782	94,926	106,693	111,066	142,764
Unrestricted		257,894	186,860	175,010	251,300	279,794
Total Net Position	\$	<u>2,207,649</u>	<u>\$ 2,197,019</u>	<u>\$ 2,209,903</u>	<u>\$ 2,240,058</u>	<u>\$ 2,267,952</u>



# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income/(Loss)</b>	<b>Non-operating Income/(Loss)</b>	<b>Income/(Loss) before Capital Contributions</b>	<b>Capital Contributions</b>	<b>Change in Net Position</b>
2005	\$ 188,993,673	\$ 162,373,895	\$ 26,619,778	\$ 4,678,347	\$ 31,298,125	\$ 22,585,702	\$ 53,883,827
2006	206,803,022	175,889,536	30,913,486	25,966,334	56,879,820	53,069,364	109,949,184
2007	202,205,532	183,810,507	18,395,025	36,885,268	55,280,293	24,309,430	79,589,723
2008	221,925,048	225,145,882	(3,220,834)	37,259,517	34,038,683	45,609,805	79,648,488
2009	249,725,358	212,177,779	37,547,579	(2,885,959)	34,661,620	26,993,385	61,655,005
2010	246,587,174	228,778,874	17,808,300	(17,560,670)	247,630	19,786,012	20,033,642
2011	219,444,257	244,503,099	(25,058,842)	4,329,032	(20,729,810)	10,098,552	(10,631,258)
2012	225,999,720	216,307,965	9,691,755	1,370,329	11,062,084	9,658,857	20,720,941
2013	241,946,337	230,158,434	11,787,903	832,056	12,619,959	17,534,919	30,154,878
2014	265,772,853	241,297,635	24,475,218	(3,682,863)	20,792,355	7,102,480	27,894,835

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## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### OPERATING REVENUES BY SOURCE LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Sewer Service Charges, Net</b>	<b>Licenses, Permits, and Other Fees</b>	<b>Other</b>	<b>Total Operating Revenues</b>
2005	\$ 181,966,427	\$ 6,549,221	\$ 478,025	\$ 188,993,673
2006	200,719,348	5,210,321	873,353	206,803,022
2007	194,798,878	6,030,583	1,376,071	202,205,532
2008	216,618,417	4,345,961	960,670	221,925,048
2009	244,699,964	3,475,283	1,550,111	249,725,358
2010	241,495,357	3,084,552	2,007,265	246,587,174
2011	214,653,310	2,976,253	1,814,694	219,444,257
2012	220,765,581	2,683,823	2,550,316	225,999,720
2013	235,980,065	2,731,497	3,234,775	241,946,337
2014	257,343,344	6,562,607	1,866,902	265,772,853

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## OPERATING EXPENSES LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Employment Costs</b>	<b>Utilities</b>	<b>Materials and Supplies</b>	<b>Contracted Services</b>	<b>Chemical Supplies</b>
2005	\$ 52,656,509	\$ 11,244,255	\$ 7,231,297	\$ 30,424,935	\$ 946,182
2006	56,817,238	11,963,002	11,602,773	38,472,414	1,089,564
2007	58,731,260	11,362,805	12,335,366	40,879,286	1,260,789
2008	60,787,548	12,837,998	14,081,785	64,192,143	1,387,122
2009	70,475,293	12,587,699	14,855,989	48,783,447	1,589,650
2010	85,030,456	12,355,232	13,297,892	39,561,050	1,478,605
2011	84,264,583	14,170,680	11,010,962	42,854,613	1,415,826
2012	87,148,397	12,612,858	13,942,690	29,585,028	1,355,113
2013	91,939,437	14,533,557	10,355,992	31,133,523	1,455,725
2014	93,634,080	14,986,388	11,835,900	40,148,088	2,440,843

<b>Fiscal Year</b>	<b>Insurance</b>	<b>Other</b>	<b>Subtotal, Expenses before Depreciation</b>	<b>Depreciation</b>	<b>Total Operating Expenses</b>
2005	\$ 2,968,245	\$ 12,459,569	\$ 117,930,992	\$ 44,442,903	\$ 162,373,895
2006	2,816,795	9,147,931	131,909,717	43,979,819	175,889,536
2007	2,915,236	10,604,787	138,089,529	45,720,978	183,810,507
2008	2,939,390	13,986,037	170,212,023	54,933,859	225,145,882
2009	2,746,119	13,769,203	164,807,399	47,370,379	212,177,779
2010	3,062,439	19,981,424	174,767,098	54,011,776	228,778,874
2011	2,578,316	21,353,854	177,648,834	66,854,265	244,503,099
2012	2,470,343	2,451,472	149,565,901	66,742,064	216,307,965
2013	2,696,416	8,013,944	160,128,594	70,029,840	230,158,434
2014	2,737,491	1,427,638	167,210,428	74,087,207	241,297,635

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## NON-OPERATING REVENUES AND EXPENSES LAST TEN FISCAL YEARS

	Fiscal Year				
	2005	2006	2007	2008	2009
<u>Non-operating revenues</u>					
Property taxes levied by the District	\$ 22,015,870	\$ 23,210,982	\$ 24,401,167	\$ 27,512,070	\$ 2,129,475
Investment income	5,501,708	7,610,461	16,946,145	17,476,621	13,115,519
Rent and other income	1,038,074	1,026,547	878,319	529,983	214,674
Total non-operating revenues	<u>\$ 28,555,652</u>	<u>\$ 31,847,990</u>	<u>\$ 42,225,631</u>	<u>\$ 45,518,674</u>	<u>\$ 15,459,668</u>
<u>Non-operating expenses</u>					
Interest expense	—	—	—	—	9,079,269
Clean Water Capital Improvement refund	5,667,330	95,372	15,000	4,313,973	—
Net (gain) loss on disposal and sale of capital assets	3,138,531	95,064	96,630	686,459	2,161,862
Non-recurring projects and studies	8,837,532	5,563,301	5,228,733	3,258,725	7,104,496
Total non-operating expenses	<u>\$ 17,643,393</u>	<u>\$ 5,753,737</u>	<u>\$ 5,340,363</u>	<u>\$ 8,259,157</u>	<u>\$ 18,345,627</u>
Net non-operating revenue (expense)	<u>\$ 10,912,259</u>	<u>\$ 26,094,253</u>	<u>\$ 36,885,268</u>	<u>\$ 37,259,517</u>	<u>\$ (2,885,959)</u>
	Fiscal Year				
	2010	2011	2012	2013	2014
<u>Non-operating revenues</u>					
Property taxes levied by the District	\$ 1,401,100	\$ 27,125,451	\$ 24,604,173	\$ 26,016,135	\$ 27,450,319
Investment income	6,553,760	3,847,324	2,407,485	1,056,966	2,966,549
Rent and other income	265,004	442,968	294,591	293,159	302,506
Total non-operating revenues	<u>\$ 8,219,864</u>	<u>\$ 31,415,743</u>	<u>\$ 27,306,249</u>	<u>\$ 27,366,260</u>	<u>\$ 30,719,374</u>
<u>Non-operating expenses</u>					
Interest expense	13,189,283	7,971,088	16,365,309	21,062,474	25,661,127
Net (gain) loss on disposal and sale of capital assets	2,719,163	3,485,952	3,162,723	795,527	5,248,443
Non-recurring projects and studies	9,872,088	10,800,843	6,402,888	4,676,203	3,492,667
Legal claims	—	4,828,828	5,000	—	—
Total non-operating expenses	<u>\$ 25,780,534</u>	<u>\$ 27,086,711</u>	<u>\$ 25,935,920</u>	<u>\$ 26,534,204</u>	<u>\$ 34,402,237</u>
Net non-operating revenue (expense)	<u>\$ (17,560,670)</u>	<u>\$ 4,329,032</u>	<u>\$ 1,370,329</u>	<u>\$ 832,056</u>	<u>\$ (3,682,863)</u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## USER CHARGE RAGES As Of June 30, 2014

Type of Monthly Charge	Unmetered <sup>c</sup>	Metered	
		Residential <sup>c</sup>	Non-Residential
<u>Wastewater User Charge</u>			
Base Charge	\$14.85	14.85	14.85
Compliance Charge <sup>a</sup>			
Tier 1			\$16.00
Tier 2			41.85
Tier 3			89.15
Tier 4			130.70
Tier 5			172.25
Volume Charges			
per Ccf <sup>d</sup>	-	2.50	2.50
per room	1.63	-	-
per water closet	6.10	-	-
per bath	5.08	-	-
per separate shower	5.08	-	-
Extra Strength Surcharges <sup>a</sup>			
SS over 300 ppm per ton	-	-	231.35
BOD over 300 ppm per ton	-	-	620.14
COD over 600 ppm per ton	-	-	310.07
<u>Stormwater Service Charge</u>			
per account: single residential unit	0.24	0.24	0.24
per account: multi-residential unit	0.18	0.18	0.18

**Notes:**

<sup>a</sup> Applicable only to non-residential customers.

<sup>b</sup> Ccf = Hundred cubic feet.

<sup>c</sup> User charges for certain low income residential users will be  
50 percent of the regular user charge.

Source: Finance Department

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## SEWER USER CHARGES (COMPOSITE-ANNUAL) LAST TEN FISCAL YEARS

	Fiscal Year				
	<u>2005<sup>b</sup></u>	<u>2006<sup>c</sup></u>	<u>2007</u>	<u>2008<sup>d</sup></u>	<u>2009</u>
Residential:					
Single Family/Unit a	\$ 249.84	\$ 271.44	\$ 271.44	\$ 344.88 <sup>1</sup>	\$ 344.88
Multi-Family/Unit a	210.00	228.00	228.00	299.76	299.76
Commercial/Industrial:					
Service Charge/Unit	236.28	248.28	248.28	457.20	457.20
Sanitary Sewer Usage Charge/100 CCF	1.66	1.81	1.81	1.88	1.88
Storm Sewer Usage Charge/100 sq. feet of impervious area	-	-	-	-	0.12
Extra Strength Surcharges:					
Suspended Solids over 300 parts per million/ton	200.15	218.90	218.90	218.90	218.90
Biological Oxygen Demand (BOD's) over 300 parts per million/ton	412.58	461.44	461.44	529.90	529.56
Chemical Oxygen Demand (COD's) over 600 parts per million/ton	206.29	230.72	230.72	264.85	264.78
	Fiscal Year				
	<u>2010<sup>e</sup></u>	<u>2011<sup>f</sup></u>	<u>2012</u>	<u>2013<sup>g</sup></u>	<u>2014</u>
Residential:					
Single Family/Unit a	\$ 351.12 <sup>1</sup>	\$ 333.60	\$ 347.64	\$ 379.56	\$ 421.08
Multi-Family/Unit a	305.04	285.12	296.28	324.12	360.36
Commercial/Industrial:					
Service Charge/Unit	486.60	507.00	525.60	593.35	414.594
Sanitary Sewer Usage Charge/100 CCF	1.92	2.02	2.11	2.28	2.50
Storm Sewer Usage Charge/100 sq. feet of impervious area	0.14	-	-	-	-
Extra Strength Surcharges:					
Suspended Solids over 300 parts per million/ton	218.90	222.62	231.35	231.35	231.35
Biological Oxygen Demand (BOD's) over 300 parts per million/ton	551.52	596.72	620.14	620.14	620.14
Chemical Oxygen Demand (COD's) over 600 parts per million/ton	275.76	298.36	310.07	310.07	310.07

**Notes:**

<sup>1</sup> Years 2008-2010 saw an impervious rate charge that averaged \$36 per year per customer. This was discontinued in 2011.

<sup>a</sup> The above rates are based on actual rates and budgeted units.

<sup>b</sup> Ordinance 11692, effective July 1, 2004, changed wastewater rates.

<sup>c</sup> Ordinance 12019, effective July 1, 2005, changed wastewater rates.

<sup>d</sup> Ordinance 12561, effective January 1, 2008, changed wastewater rates. Ordinance 12560, changed stormwater rates, effective March 1, 2008.

<sup>e</sup> Ordinance 12754, effective July 1, 2009, changed wastewater rates.

<sup>f</sup> Ordinance 13021, effective July 1, 2010, changed wastewater rates through FY 2012.

<sup>g</sup> Ordinance 13402, effective July 1, 2012, changed wastewater rates through FY 2016.

Source: Finance Department

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### NUMBER OF CUSTOMERS BY TYPE LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Single Family Residential</b>	<b>Multi- Family Residential</b>	<b>Non- Residential</b>	<b>Total Accounts</b>
2005	360,104	44,506	25,758	430,368
2006	362,043	44,700	25,700	432,443
2007	362,569	44,875	25,647	433,091
2008	391,181	54,862	32,336	478,379
2009	388,791	51,441	32,161	472,393
2010	387,670	50,867	31,939	470,476
2011	362,739	43,471	24,702	430,912
2012	360,354	41,648	24,568	426,570
2013	359,243	41,117	24,441	424,801
2014	358,928	40,951	24,297	424,176

Source: Finance Department

<sup>a</sup> Due to the implementation of the impervious area charge in 2008, approximately 46,000 additional stormwater only accounts are billed each month. This charge was challenged and a court decision was entered on 7/9/10. Based on that decision the 46,000 accounts will not be billed an impervious charge in FY '11.

<sup>b</sup> The number of accounts were revised as stormwater accounts were underreported.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## TEN LARGEST CUSTOMERS CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2014

Customer	User Charges	
	Amount	%
InBev Anheuser-Busch	\$ 5,294,053	2.06%
Mallinckrodt	1,306,741	0.51%
Washington University	1,259,836	0.49%
City of St. Louis	1,233,418	0.48%
Sigma-Aldrich	819,862	0.32%
Saint Louis Zoo	771,623	0.30%
St. Louis University	744,536	0.29%
The Dial Corporation	702,978	0.27%
Sensient Colors Inc.	686,964	0.27%
Trigen-Energy Corp	516,045	0.20%
Subtotal (10 largest)	13,336,056	5.18%
Balance from other customers	244,007,288	94.82%
Grand totals	\$ 257,343,344	100.00%

Fiscal Year 2005

Customer	User Charges	
	Amount	%
Anheuser-Busch	\$ 6,803,995	3.74%
Mallinckrodt, Inc	1,985,401	1.09%
Washington University	1,306,720	0.72%
Zoological Gardens	709,049	0.39%
Chrysler Group	684,877	0.38%
Boeing Company	679,444	0.37%
St. Louis City	624,699	0.34%
Sigma Chemical Company	611,368	0.34%
Sensient Colors Inc.	591,443	0.33%
St. Louis University	588,460	0.32%
Subtotal (10 largest)	14,585,456	8.02%
Balance from other customers	167,380,971	91.98%
Grand totals	\$ 181,966,427	100.00%

Source: Budget Division after data is accumulated for the GFOA report



# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Revenue Bonds			Capital Lease	Total		As a Share of Personal Income
	Senior	Subordinate	Subordinate Direct Loans		Amount	Per Capita	
2005	\$ 175,000,000	\$ 166,952,500	\$ 771,099	\$ —	\$ 342,723,599	253	0.35
2006	173,500,000	205,760,000	680,538	—	379,940,538	282	0.37
2007	231,995,000	213,652,500	337,730	—	445,985,230	330	0.42
2008	230,485,000	206,522,500	269,299	—	437,276,799	324	0.67
2009	258,965,000	235,932,500	215,790	4,130,000	499,243,290	373	0.81
2010	342,370,000	224,505,000	31,017,371	7,263,687	605,156,058	446	1.00
2011	340,590,000	212,655,000	25,259,899	6,095,981	584,600,880	431	0.97
2012	390,880,000	200,692,500	63,727,722	3,096,139	658,396,362	484	1.09
2013	594,715,000	188,600,000	93,751,658	—	877,066,658	660	1.45
2014	740,655,000	184,075,000	116,090,820	—	1,040,820,820	789	1.71

**Notes:**

Calculation of "Per Capita" for 2011 through 2013 is based on estimated population levels.

Calculation of "As a Share of Personal Income" for 2011 through 2013 is based on estimated income levels.

In fiscal year 2012, a decision was made to discontinue considering SRF receivable amounts as liabilities.

The liability is now recorded when the funds are received.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce,  
and the U.S. Census Bureau

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## COMPUTATION OF OVERLAPPING DEBT

As Of June 30, 2014

Governmental Unit	Debt Outstanding	Amount of Debt within District Boundary	Percentage of Debt within District Boundary
City of St. Louis	\$ 28,130,000	\$ 28,130,000	100.0%
St. Louis County	113,260,000	112,353,920	99.2
Municipalities	79,085,052	75,924,998	96.0
City of St. Louis School District	338,083,954	338,083,954	100.0
St. Louis County School Districts	1,290,912,740	1,277,418,820	99.0
Fire Districts	74,031,087	67,459,074	91.1
	<b>\$ 1,923,502,832</b>	<b>\$ 1,899,370,766</b>	<b>98.7%</b>
Total Direct Debt		1,040,820,820	
Total Direct and Overlapping Debt		<b>\$ 2,940,191,586</b>	

### Sources:

City of St. Louis, Office of Comptroller  
St. Louis County, Department of Revenue  
St. Louis Public Schools, Financial/Treasurer Office  
Missouri Department of Education, School Finance  
Polled Governments  
Polled Fire Districts

Note: Although the District comprises all of the St. Louis City and most of St. Louis County, it does not entirely match the County's boundaries. The calculation of overlapping debt is based on the percentage that a political jurisdiction's territory lies within the District's territory. These percentages are weighted against the debt outstanding thus providing the amount of debt within District Boundary.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## PLEDGE REVENUE COVERAGE LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Non-operating Revenues</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses (excluding depreciation)</b>	<b>Net Available Revenues</b>
2005	\$ 187,759,272	\$ 4,356,643	\$ 192,115,915	\$ 117,930,992	\$ 74,184,923
2006	205,554,460	6,135,347	211,689,807	131,909,717	79,780,090
2007	200,963,085	13,501,751	214,464,836	138,089,529	76,375,307
2008	208,981,377	13,281,919	222,263,296	142,725,186	79,538,110
2009	209,972,662	10,283,104	220,255,766	138,971,881	81,283,885
2010	204,697,929	4,908,296	209,606,225	145,598,505	64,007,720
2011	217,011,360	3,202,219	220,213,579	160,572,145	59,641,434
2012	224,882,086	2,058,300	226,940,386	135,232,302	91,708,084
2013	240,597,715	956,664	241,554,379	146,372,419	95,181,960
2014	264,422,401	2,670,333	267,092,734	153,221,914	113,870,820

<b>Fiscal Year</b>	<b>Subordinate and Senior Debt Service</b>			<b>Coverage Ratio</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2005	\$ 6,800,000	\$ 14,799,402	\$ 21,599,402	3.4
2006	5,407,500	13,835,332	19,242,832	4.1
2007	7,817,500	16,512,429	24,329,929	3.1
2008	8,640,000	17,694,791	26,334,791	3.0
2009	12,110,000	17,503,892	29,613,892	2.7
2010	13,022,500	20,187,151	33,209,651	1.9
2011	14,576,800	20,140,021	34,716,821	1.7
2012	16,540,200	22,956,366	39,496,566	2.3
2013	18,749,700	31,436,995	50,186,695	1.9
2014	10,037,200	34,199,286	44,236,486	2.6

<b>Fiscal Year</b>	<b>Senior Debt Service</b>			<b>Coverage Ratio</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2005	\$ —	\$ 8,052,321	\$ 8,052,321	9.2
2006	1,500,000	8,165,734	9,665,734	8.3
2007	1,505,000	9,369,084	10,874,084	7.0
2008	1,510,000	11,067,634	12,577,634	6.3
2009	1,520,000	11,677,272	13,197,272	6.2
2010	1,595,000	13,396,341	14,991,341	4.3
2011	1,780,000	15,467,269	17,247,269	3.5
2012	1,960,000	16,489,572	18,449,572	5.0
2013	3,805,000	24,452,691	28,257,691	3.4
2014	4,060,000	30,159,387	34,219,387	3.3

Note: The methodology used to calculate the net available revenues and the coverage ratio was adjusted during fiscal year 2013 and all previous years were restated for comparative purposes. The 2013 change in methodology consisted of removing agency fees, previously reflected as a deduction from net available revenues, and now combining them with interest in the debt service section. Additionally, in fiscal years 2010 and 2011, the change in methodology consisted of removing the Build America Bond Tax Credit from the pledged revenue section and reapplying the credit to interest expense in the debt service section. This was made to ensure consistency with fiscal years 2012 and 2013.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (millions)	Per Capita Personal Income	Unemployment Rate			Labor Force	Total Number of Households (1)
				Saint Louis				
				City	County	State		
2005	1,354,830	\$ 55,841	41,216	8.8	5.5	5.7	726,390	551,388
2006	1,347,691	57,660	42,784	7.5	5.1	5.0	723,627	551,388
2007	1,349,778	59,200	43,859	7.5	5.1	5.0	723,627	551,388
2008	1,348,462	62,135	46,079	7.9	5.9	6.0	690,006	551,388
2009	1,339,011	61,947	46,263	11.5	9.7	9.5	681,801	551,388
2010	1,356,289	60,792	44,822	12.3	9.4	9.3	682,165	551,388
2011	1,357,035	60,420	44,523	11.8	8.9	9.0	692,071	546,744
2012	1,360,085	60,283	44,323	9.7	6.9	7.0	672,945	546,744
2013	1,328,610	60,399	45,460	10.5	7.3	7.1	665,086	543,851
2014	1,318,610	60,968	46,237	9.6	6.9	6.6	666,200	543,991

Notes:

(1) The number of households was taken from <http://quickfacts.census.gov/qfd/states/29000.html>. The 2014 figure is based on 2012 data. The 2011-2013 figures are based on the 2010 census. Information for prior years are unavailable; therefore, the 2000 census information is used for the other years in this table.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, and Missouri Economic Resource and Information Center (MERIC)

Footnote: <http://www.bea.gov/regional/reis/scb.cfm>  
<http://www.missourieconomy.org/indicators/LAUS/default.aspx>

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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**PRINCIPAL EMPLOYERS (ST. LOUIS METROPOLITAN AREA)**  
**CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>Fiscal Year 2014</b>			<b>Fiscal Year 2005</b>		
	<b>Employees <sup>(1)</sup></b>	<b>Percentage of Total</b>	<b>Rank</b>	<b>Employees <sup>(1)</sup></b>	<b>Percentage of Total</b>	<b>Rank</b>
BJC HealthCare	25,039	4%	1	21,468	3%	1
Boeing, Integrated Defense Systems	14,868	2%	2	15,500	2%	2
Washington University in St. Louis	14,091	2%	3	12,324	2%	4
Scott Air Force Base	13,000	2%	4	12,600	2%	3
SSM Healthcare	11,898	2%	5	11,951	2%	6
Mercy	10,946	2%	6	8,402	1%	10
Schnuck Markets, Inc.	10,919	2%	7	10,800	2%	8
Wal-Mart Stores Inc.	10,550	2%	8	12,250	2%	5
McDonald's Restaurants of St. Louis	9,500	2%	9			
AT&T	7,200	1%	10			
United States Postal Service				11,447	2%	7
SBC Southwestern Bell Missouri				9,250	1%	9
	<u>128,011</u>	<u>21%</u>		<u>125,992</u>	<u>18%</u>	

**Notes:**

(1) Employees are for the St. Louis area which includes several counties not served by the District.

**Sources:**

St. Louis Business Journal's *Book of Lists 2014*

St. Louis Business Journal's *Book of Lists 2005*

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## EMPLOYMENT LEVEL LAST TEN FISCAL YEARS

	Fiscal Years									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Administrative	122	118	125	131	133	131	124	129	124	122
Office/Clerical	76	88	86	92	94	89	84	85	86	82
Plant Operation & Laboratory	231	233	234	239	237	249	241	244	249	252
Engineering & Technical	114	119	122	133	144	151	147	153	148	151
Sewer Construction & Maintenance	<u>258</u>	<u>258</u>	<u>271</u>	<u>276</u>	<u>301</u>	<u>315</u>	<u>296</u>	<u>311</u>	<u>324</u>	<u>328</u>
Total Employees	<u>801</u>	<u>816</u>	<u>838</u>	<u>871</u>	<u>909</u>	<u>935</u>	<u>892</u>	<u>922</u>	<u>931</u>	<u>935</u>

Source: Human Resources Department

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### AVERAGE FLOW LAST TEN FISCAL YEARS

Fiscal Year	Average Sewage Treatment in Millions of Gallons per Day
2005	348.7
2006	291.3
2007	313.4
2008	363.7
2009	394.7
2010	395.5
2011	370.6
2012	300.0
2013	326.7
2014	273.8

Source: Operations Department

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## OPERATING AND CAPITAL INDICATORS LAST TEN FISCAL YEARS

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Miles of sewers	9,568	9,630	9,764	9,723	9,812
Number of treatment plants	8	8	8	7	7
Treatment capacity (MGD) <sup>a</sup>	413	413	426	428	423
Annual engineering maximum plant capacity (millions of gallons)	150,745	150,745	155,490	154,395	154,395
Amount treated annually (millions of gallons)	127,276	106,339	114,391	132,751	144,066
Unused capacity (millions of gallons)	23,469	44,406	41,099	21,644	10,329
Percentage of capacity utilized	84%	71%	74%	86%	93%

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Miles of sewers	9,900	9,843	9,738	9,578	9,563
Number of treatment plants	7	7	7	7	7
Treatment capacity (MGD) <sup>a</sup>	423	528	528	528	533
Annual engineering maximum plant capacity (millions of gallons)	154,395	192,629	192,629	192,629	194,454
Amount treated annually (millions of gallons)	144,358	135,269	109,518	119,253	99,945
Unused capacity (millions of gallons)	10,037	57,360	83,111	73,376	94,509
Percentage of capacity utilized	93%	70%	57%	62%	51%

Sources: Operations Department and Engineering Department